Data Compilation

Financial Data

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Note: Figures have been truncated without rounding.

1. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Consolidated ordinary income	18,773,630	17,468,947	16,661,440	15,849,185	15,240,126
Consolidated net ordinary income	1,007,260	956,917	1,176,860	1,225,094	1,103,603
Consolidated net income	450,220	418,929	468,907	562,753	479,071
Consolidated comprehensive income	—	410,132	973,067	1,551,771	717,123
Consolidated net assets	9,625,962	9,999,952	10,935,358	12,448,197	13,388,650
Consolidated total assets	298,571,321	292,933,013	292,126,555	292,892,975	292,246,440
Consolidated capital adequacy ratio (domestic standard)	69.77%	61.30%	57.70%	57.38%	49.23%
Consolidated solvency margin ratio	—	—	1,592.5%	1,804.8%	1,791.8%

Notes: 1. The consolidated capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006). From the fiscal year ended March 31, 2014, the Company has adopted a domestic standard based on Basel III.
2. The consolidated solvency margin ratio is calculated in accordance with Articles 210-11-3 and 210-11-4 of the Ordinance for Enforcement of the Insurance Business Act and Notification No. 23 issued by the Financial Services Agency in 2011.

Japan Post Holdings Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Operating income	317,087	305,878	287,633	265,304	272,988
Net operating income	144,339	140,752	133,264	121,207	146,002
Net ordinary income	147,179	143,466	135,773	125,666	147,837
Net income	145,389	153,622	151,404	145,228	155,090
Net assets	8,265,323	8,382,804	8,496,547	8,602,843	8,719,384
Total assets	9,625,504	9,648,973	9,747,186	9,711,170	9,740,129

Japan Post Co., Ltd. (Non-consolidated) (Note)

(Millions of yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Operating income	1,263,975	1,256,349	1,208,447	2,054,124	2,773,958
Net operating income	52,173	49,548	33,417	91,219	46,999
Net ordinary income	62,439	58,260	42,745	100,299	52,532
Net income	32,981	30,661	18,826	83,012	32,911
Net assets	267,122	289,538	300,700	543,076	560,972
Total assets	3,252,318	3,249,823	3,120,978	4,806,509	4,801,764

Note: On October 1, 2012, Japan Post Network Co., Ltd. merged with Japan Post Service Co., Ltd. and the name of the merged entity was changed to Japan Post Co., Ltd. Therefore, figures for Japan Post Network Co., Ltd. are listed for fiscal year 2012 and prior fiscal years. For fiscal 2013, the combined figures for Japan Post Network during the period (April-September 2012) prior to the merger and for Japan Post Co., Ltd. during the period (October 2012-March 2013) following the merger between Japan Post Network Co., Ltd. and Japan Post Service Co., Ltd. are listed.

[Postal service business segment] (Note)

(Millions of yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Operating income	1,813,048	1,779,870	1,764,861	1,754,426	1,777,635
Net operating income	42,779	(103,473)	(22,354)	37,405	9,454

Note: As for the term prior to the merger, the figures for Japan Post Service Co., Ltd. are listed, and after the merger, the figures for the postal service business segment are listed.

[Post office business segment] (Note)

(Millions of yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Operating income	1,263,975	1,256,349	1,208,447	1,187,938	1,183,528
Net operating income	52,173	49,548	33,417	27,216	37,545

Note: As for the term prior to the merger, the figures for Japan Post Network Co., Ltd. are listed, and after the merger, the figures for the post office business segment are listed.

Japan Post Bank Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Ordinary income (Revenues)	2,207,942	2,205,344	2,234,596	2,125,888	2,076,397
Net ordinary income	494,252	526,550	576,215	593,535	565,095
Net income	296,758	316,329	334,850	373,948	354,664
Net assets	8,839,547	9,093,634	9,818,162	10,997,558	11,464,524
Total assets	194,678,352	193,443,350	195,819,898	199,840,681	202,512,882
Capital adequacy ratio (non-consolidated domestic standard)	91.62%	74.82%	68.39%	66.04%	56.81%

Note: The capital adequacy ratio (non-consolidated, domestic standard) is calculated in line with the provisions of Article 14-2 of the Banking Act and on the basis of calculation formulae prescribed under the criteria for judging whether a bank's capital adequacy ratio is appropriate in light of assets held (Financial Services Agency Notice No. 19, 2006). From the fiscal year ended March 31, 2014, the Company has adopted a domestic standard based on Basel III.

Japan Post Insurance Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Ordinary income	14,591,640	13,375,468	12,538,618	11,834,920	11,233,925
Net ordinary income	379,623	422,207	531,388	529,375	463,506
Net income	70,126	77,276	67,734	91,000	63,428
Net assets	1,169,366	1,207,690	1,292,077	1,464,771	1,534,457
Total assets	100,969,782	96,786,765	93,688,672	90,462,364	87,088,626
Solvency margin ratio	1,663.9%	1,821.6% (1,153.9%)	1,336.1%	1,467.9%	1,623.4%

Note: In accordance with Cabinet Office Ordinance No. 23 of 2010 and Financial Services Agency Public Notice No. 48 of 2010, part of the calculation standard for the total amount of solvency margin and the total amount of risk has been changed (tightening of margin calculations, tightening and refining of risk measurements, etc.). As a result of this change, the above results for the fiscal 2010 and fiscal 2011 have been calculated using a different standard from the results for fiscal 2012 to fiscal 2014.
Moreover, the figure given in brackets for the fiscal 2011 is calculated by the fiscal 2012 standard.

2. Japan Post Group Companies —Consolidated Financial Data

The consolidated balance sheets as of March 31, 2014 and 2013 and the consolidated statements of income and changes in net assets for the years then ended ("consolidated financial statements") of Japan Post Group Companies were audited by KPMG AZSA LLC in accordance with Article 396, Paragraph 1 of the Companies Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

Consolidated Balance Sheets

(Millions of yen)

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Assets		
Cash and due from banks	10,862,494	21,994,452
Call loans	2,041,185	2,073,594
Receivables under securities borrowing transactions	10,472,820	10,034,958
Monetary claims bought	486,253	169,721
Trading account securities	247	278
Money held in trust	3,295,696	3,500,631
Securities	244,330,341	235,623,120
Loans	16,659,553	14,096,911
Foreign exchanges	3,051	30,659
Other assets	1,175,289	1,083,760
Tangible fixed assets	2,712,047	2,665,243
Buildings	1,077,645	1,036,110
Land	1,447,840	1,445,909
Construction in progress	15,679	27,838
Other tangible fixed assets	170,881	155,384
Intangible fixed assets	253,244	270,559
Software	236,583	253,935
Other intangible fixed assets	16,660	16,623
Deferred tax assets	462,515	592,844
Customers' liabilities for acceptances and guarantees	145,000	115,000
Allowance for doubtful accounts	(6,765)	(5,295)
Total Assets	**292,892,975**	**292,246,440**

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Liabilities		
Deposits	174,857,218	175,291,979
Policy reserves	84,746,052	80,799,941
Reserve for outstanding claims	947,123	831,690
Policy reserve	81,401,981	77,745,490
Reserve for policyholders' dividends	2,396,947	2,222,759
Payables under securities lending transactions	12,557,798	14,370,767
Foreign exchanges	272	249
Other liabilities	3,384,192	3,678,082
Reserve for employees' bonuses	96,017	93,649
Reserve for employees' retirement benefits	3,259,201	—
Net defined benefit liabilities	—	2,884,827
Reserve under the special laws	522,872	614,233
Reserve for price fluctuations in security investments	522,872	614,233
Deferred tax liabilities	876,152	1,009,058
Acceptances and guarantees	145,000	115,000
Total Liabilities	**280,444,778**	**278,857,789**
Net Assets		
Capital stock	3,500,000	3,500,000
Capital surplus	4,503,856	4,503,856
Retained earnings	2,527,181	2,967,703
Total shareholders' equity	10,531,037	10,971,559
Net unrealized gains (losses) on available-for-sale securities	2,292,561	2,750,463
Deferred gains (losses) on derivatives under hedge accounting	(376,823)	(596,892)
Foreign currency translation adjustments	—	66
Remeasurements of defined benefit plans	—	261,879
Total accumulated other comprehensive income	1,915,738	2,415,517
Minority interests	1,421	1,573
Total Net Assets	**12,448,197**	**13,388,650**
Total Liabilities and Net Assets	**292,892,975**	**292,246,440**

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Ordinary income	**15,849,185**	**15,240,126**
Postal service income	1,734,593	1,761,145
Banking service income	2,124,905	2,075,516
Insurance service income	11,834,831	11,233,998
Other ordinary income	154,855	169,465
Ordinary expenses	**14,626,617**	**14,136,522**
Operating expenses	12,164,888	11,640,717
Personnel expenses	2,283,878	2,300,355
Depreciation	162,440	175,682
Other ordinary expenses	15,409	19,767
Income (expenses) from contribution to society and community funds assets	**2,527**	**—**
Income from contribution to society and community funds assets	2,527	—
Expenses for contribution to society and community funds assets	0	—
Net ordinary income	**1,225,094**	**1,103,603**
Extraordinary gains	**1,969**	**1,811**
Gains on sales of fixed assets	412	371
Compensation for transfer	436	495
Gain on liquidation of subsidiaries and affiliates	352	—
Compensation income	622	932
Other extraordinary gains	144	12
Extraordinary losses	**79,911**	**122,801**
Losses on sales and disposal of fixed assets	4,832	13,706
Impairment losses	5,584	13,655
Provision for reserve under the special law	64,656	91,360
Provision for reserve for price fluctuations	64,656	91,360
Group reorganization expenses	4,502	—
Loss from construction work on aging facilities	—	974
Other extraordinary losses	335	3,104
Provision for reserve for policyholders' dividends	307,427	242,146
Net income before income taxes and minority interests	**839,725**	**740,466**
Income taxes current	446,519	381,825
Income taxes deferred	(169,624)	(120,582)
Total income taxes	**276,894**	**261,242**
Income before minority interests	**562,831**	**479,224**
Minority interests	77	152
Net income	**562,753**	**479,071**

Consolidated Statements of Comprehensive Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Income before minority interests	**562,831**	**479,224**
Other comprehensive income	**988,940**	**237,899**
Net unrealized gains (losses) on available-for-sale securities	1,295,173	457,899
Deferred gains (losses) on derivatives under hedge accounting	(306,233)	(220,069)
Foreign currency translation adjustments	—	66
Share of other comprehensive income of entities accounted for by the equity method	—	2
Total comprehensive income	**1,551,771**	**717,123**
Total comprehensive income attributable to:		
Owners of the parent	1,551,694	716,970
Minority interests	77	152

Consolidated Statements of Changes in Net Assets

2013 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

Item	Shareholders' equity				Contribution to society and community funds	Valuation and translation adjustments of contribution to society and community funds
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity		
Balance at the beginning of the current fiscal year	3,500,000	4,503,856	1,942,074	9,945,930	60,204	1,080
Changes during the period						
Cash dividends			(37,851)	(37,851)		
Net income for the period			562,753	562,753		
Contribution to society and community funds			60,204	60,204		
Net changes other than shareholders' equity					(60,204)	(1,080)
Total changes during the period	—	—	585,106	585,106	(60,204)	(1,080)
Balance at the end of the current fiscal year	3,500,000	4,503,856	2,527,181	10,531,037	—	—

Item	Accumulated other comprehensive income			Minority interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Total accumulated other comprehensive income		
Balance at the beginning of the current fiscal year	997,387	(70,589)	926,797	1,345	10,935,358
Changes during the period					
Cash dividends					(37,851)
Net income for the period					562,753
Contribution to society and community funds					60,204
Net changes other than shareholders' equity	1,295,173	(306,233)	988,940	76	927,731
Total changes during the period	1,295,173	(306,233)	988,940	76	1,512,838
Balance at the end of the current fiscal year	2,292,561	(376,823)	1,915,738	1,421	12,448,197

2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

Item	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the current fiscal year	3,500,000	4,503,856	2,527,181	10,531,037
Changes during the period				
Cash dividends			(38,550)	(38,550)
Net income for the period			479,071	479,071
Net changes other than shareholders' equity				
Total changes during the period	—	—	440,521	440,521
Balance at the end of the current fiscal year	3,500,000	4,503,856	2,967,703	10,971,559

Item	Accumulated other comprehensive income					Minority interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the current fiscal year	2,292,561	(376,823)	—	—	1,915,738	1,421	12,448,197
Changes during the period							
Cash dividends							(38,550)
Net income for the period							479,071
Net changes other than shareholders' equity	457,902	(220,069)	66	261,879	499,778	152	499,931
Total changes during the period	457,902	(220,069)	66	261,879	499,778	152	940,452
Balance at the end of the current fiscal year	2,750,463	(596,892)	66	261,879	2,415,517	1,573	13,388,650

Consolidated Statements of Cash Flows

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Cash flows from operating activities:		
Net income before income taxes and minority interests	839,725	740,466
Depreciation	162,440	175,682
Impairment losses	5,584	13,655
Equity in losses (gains) of affiliates	(22)	(12)
Increase (decrease) in reserve for outstanding claims	(48,611)	(115,432)
Increase (decrease) in policy reserve	(3,741,858)	(3,656,490)
Interest on reserve for policyholders' dividends	9,008	4,627
Provision for reserve for policyholders' dividends	307,427	242,146
Increase (decrease) in allowance for doubtful accounts	(1,458)	(1,470)
Increase (decrease) in reserve for employees' bonuses	6,625	(2,367)
Increase (decrease) in reserve for employees' retirement benefits	(122,314)	—
Increase (decrease) in net defined benefit liabilities	—	(374,374)
Increase (decrease) in reserve for price fluctuations	64,656	91,360
Interest and dividend income-accrual basis	(1,501,699)	(1,459,322)
Interest expenses-accrual basis	3,790	5,008
Interests and dividend income	(1,876,142)	(1,827,610)
Interest expenses	349,299	361,245
Losses (gains) related to securities	(84,828)	(66,359)
Losses (gains) on money held in trust	(80,281)	(113,593)
Losses (gains) on foreign exchanges	(96,943)	(281,267)
Losses (gains) on sales and disposal of fixed assets	4,354	13,354
Group reorganization expenses	4,502	—
Net (increase) decrease in loans and bills discounted	165,141	890,310
Net increase (decrease) in deposits	423,206	434,761
Net (increase) decrease in negotiable certificates of deposit	(50,000)	20,000
Net (increase) decrease in call loans	(595,419)	(9,577)
Net (increase) decrease in receivables under securities borrowing transactions	(2,362,705)	928,763
Net increase (decrease) in payables under securities lending transactions	1,141,147	1,224,351
Net (increase) decrease in foreign exchange assets	(421)	(27,608)
Net increase (decrease) in foreign exchange liabilities	119	(23)
Interests and dividends received	2,064,065	2,012,796
Interest paid	(172,227)	(205,712)
Others	(40,514)	166,840
Subtotal	(5,224,352)	(815,849)
Interests and dividend income-cash basis	1,583,241	1,654,629
Interest expenses-cash basis	(3,791)	(4,957)
Dividends to policyholders paid	(430,448)	(420,523)
Income taxes paid	(508,261)	(394,466)
Others	(363)	—
Net cash provided by (used in) operating activities	**(4,583,976)**	**18,831**

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Cash flows from investing activities:		
Payments for time deposits	—	(715)
Payments for purchase of call loans	(30,330,152)	(32,758,125)
Proceeds from redemption of call loans	30,724,414	32,731,552
Payments for purchase of monetary claims bought	(2,044,334)	(2,746,495)
Proceeds from sales and redemption of monetary claims bought	1,632,157	3,066,421
Net increase (decrease) in receivables/payables under securities borrowing/lending transactions	313,935	97,715
Payments for purchase of securities	(87,757,707)	(41,594,136)
Proceeds from sales of securities	5,224,515	4,029,294
Proceeds from redemption of securities	91,598,170	46,827,862
Payments for increase in money held in trust	(766,930)	(459,900)
Proceeds from decrease in money held in trust	959,112	564,939
Payments for loans	(1,802,877)	(1,610,723)
Proceeds from collection of loans	3,034,930	3,273,670
Payments for purchase of tangible fixed assets	(70,636)	(76,047)
Proceeds from sales of tangible fixed assets	1,598	1,437
Payments for purchase of intangible fixed assets	(88,083)	(84,912)
Others	(196,540)	(81,647)
Net cash provided by investing activities	**10,431,572**	**11,180,189**
Cash flows from financing activities:		
Proceeds from borrowings	4,370	4,050
Repayments of borrowings	(3,734)	(4,489)
Dividends paid	(37,851)	(38,550)
Dividends paid to minority shareholders	(1)	—
Others	(2,019)	(1,415)
Net cash used in financing activities	**(39,236)**	**(40,405)**
Foreign currency translation adjustments on cash and cash equivalents	**687**	**661**
Net increase (decrease) in cash and cash equivalents	**5,809,046**	**11,159,277**
Cash and cash equivalents at beginning of year	**4,561,347**	**10,370,394**
Cash and cash equivalents at end of year	**10,370,394**	**21,529,671**

Notes to Consolidated Financial Statements

Basis of Presentation of Consolidated Financial Statements

1. The scope of consolidation

(1) Consolidated subsidiaries: 16

Principal companies:

Japan Post Co., Ltd.

Japan Post Bank Co., Ltd.

Japan Post Insurance Co., Ltd.

Japan Post International Logistics Co., Ltd. was newly established and is included in the scope of consolidation from the current fiscal year.

(2) Non-consolidated subsidiaries: 2

Tokyo Beiyu Co., Ltd.

Nittei Butsuryu Gijutsu Co., Ltd.

The respective and aggregate effect of the companies, which are not accounted for in the scope of consolidation, on total assets, ordinary income, net income (loss) (amount corresponding to Japan Post Group's equity position), retained earnings (amount corresponding to Japan Post Group's equity position) and accumulated other comprehensive income (amount corresponding to Japan Post Group's equity position) are immaterial. This exclusion from the scope of consolidation does not prevent a reasonable judgment of the consolidated financial position of the Japan Post Group and its subsidiaries and the result of their operations.

2. Application of the equity method

(1) Non-consolidated subsidiaries accounted for by the equity method

None

(2) Equity-method affiliates: 3

JA Foods Oita Co., Ltd.

SDP Center Co., Ltd.

ATM Japan Business Service, Ltd.

JA Foods Oita Co., Ltd. is included in the scope of application of the equity method from the current fiscal year due to the acquisition of its shares.

(3) Non-consolidated subsidiaries not accounted for by the equity method: 2

Tokyo Beiyu Co., Ltd.

Nittei Butsuryu Gijutsu Co., Ltd.

These non-consolidated subsidiaries are not accounted for under the equity method, since this exclusion has minimal impact on the consolidated financial statements, considering their net income (loss) (amount corresponding to Japan Post Group's equity position), retained earnings (amount corresponding to Japan Post Group's equity position) and accumulated other comprehensive income (amount corresponding to Japan Post Group's equity position).

(4) Affiliates not accounted for by the equity method

None

3. The balance sheet dates of consolidated subsidiaries

(1) Fiscal year-end for consolidated subsidiaries

End of December: 1

End of March: 15

(2) Consolidated subsidiary with settlement date at the end of December is consolidated based on the financial statements as of this settlement date.

Necessary adjustments are carried out for principal transactions occurred during the time between the Company's consolidated settlement date and the above-mentioned settlement date.

4. Summary of significant accounting policies

(1) Valuation criteria and methods for trading securities

Trading securities are stated at market value.

(2) Valuation criteria and methods for securities

1) Concerning valuation of securities, held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method. Bonds earmarked for policy reserves are stated at amortized cost (straight-line method) using the moving-average method based on "Temporary Treatment of Accounting and Auditing Concerning Policy reserve-matching bonds in the Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants (JICPA)). Shares of non-consolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost using the moving-average method. For available-for-sale securities, in principle, equity securities are stated at average quoted market prices over the month prior to the consolidated balance sheet date, and others. All other available-for-sale securities with market quotations are stated at market value on the consolidated balance sheet date (The cost of securities sold is primarily calculated using the moving-average method.). Securities that are extremely difficult to identify the market values are stated at cost or amortized cost (straight-line method) using the moving-average method.

Net unrealized gains or losses on available-for-sale securities (including gains/losses arising from foreign exchange rate changes, but excluding those securities whose principal is hedged to protect from the risk of potential foreign exchange rate changes) are included in net assets.

2) Securities managed as assets of money held in trust are valued by a method similar to the one stated in 1).

Valuation differences for other money held in trust are all included in net assets.

(3) Valuation criteria and methods for derivative transactions

Derivative transactions are valued by the market value method.

(4) Depreciation methods of fixed assets

1) Tangible fixed assets (excluding leased assets)

Depreciation of tangible fixed assets is computed by the straight-line method.

Useful lives of principal assets are as follows:

Buildings: 2-50 years

Others: 2-75 years

2) Intangible fixed assets (excluding leased assets)

Amortization of intangible fixed assets is computed by the straight-line method. The development costs of software intended for internal use are amortized over the expected useful lives of five years.

3) Leased assets

Finance lease transactions that do not transfer ownership are depreciated to the residual value of zero or guaranteed value by the straight-line method during the lease term.

(5) Recognition of allowance for doubtful accounts

1) For allowance for doubtful accounts of the Company and its consolidated subsidiaries other than Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd., allowance is provided for general accounts receivable using a rate determined by past bad debt experience. Additionally, a reserve is provided for specific loans such as loans to bankrupt or effectively/substantially bankrupt borrowers at the estimated amount considered to be uncollectible after reviewing their respective collectability.

2) Allowance for doubtful accounts of Japan Post Bank Co., Ltd. is provided for in accordance with the write-off and provision standards as described below:

Loans to normal borrowers and borrowers requiring caution, as provided by "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public Accountants (JICPA), Special Committee for Audits of Banks, etc., Report No. 4), are classified into certain groups, and an allowance is provided for each group based on the estimated rate of loan losses.

For loans to doubtful borrowers, an allowance is provided in the amount of loans, net of amounts expected to be collected through disposition of collateral or through execution of guarantees, and considered to be necessary based on a solvency assessment. For loans to bankrupt or substantially bankrupt borrowers, an allowance is provided based on the amount of loans, net of amounts expected to be collected through disposition of collateral or to be recoverable under guarantees.

All loans are assessed initially by the marketing and other departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the marketing and other departments, reviews these self-assessments.

3) Allowance for doubtful accounts of Japan Post Insurance Co., Ltd. is provided pursuant to its standards for self-assessment of asset quality, and general allowance is provided using a rate determined by past bad debt experience. In addition, specific allowances, which are determined after reviewing individual collectability of accounts, are recorded.

All loans and claims are assessed initially by the relevant departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the relevant departments, reviews these self-assessments. The above allowances are made based on the result of this assessment.

(6) Reserve for employees' bonuses

To provide for the payment of bonuses to employees, a reserve is provided in the amount expected to be incurred at the end of the fiscal year based on the projected obligations at the end of the fiscal year.

(7) Accounting for employees' retirement benefits

1) In calculating employees' retirement benefit obligation, straight-line basis is used for attributing projected retirement benefit amounts to the period up to the end of the current fiscal year. Treatments of prior service cost and the cost of actuarial difference are as follows.

Prior service cost

Prior service cost is amortized using the straight-line method over certain years (8-14 years) within the estimated average remaining service lives for employees in the fiscal year the difference is incurred.

Actuarial difference

The cost of actuarial difference is amortized in a proportional amount using the straight-line method over certain years (8-14 years) within the estimated average remaining service lives for employees from the fiscal year following the respective fiscal year in which the difference is recognized.

2) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for the service period in and before December 1958 of those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) and retired in and after January 1959 (hereinafter referred to as "share of public service pension") are recognized as part of reserve for employees' retirement benefits.

The actuarial difference is amortized using the straight-line method over certain years (10 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

Prior service cost is amortized as cost using the straight-line method over certain years (10 years) within the estimated average remaining payment periods for eligible personnel.

(Additional information)

Due to the enactment of the "Act for Partial Revision of the Employees' Pension Insurance Act, etc. for Unifying Employees' Pension Insurance Systems"(Act No.63 of 2012), benefits related to the public service pension period will be reduced in the future, with the enforcement date of August 1, 2013. Along with this, the Company received necessary information and calculated the amount of the impact of this revision. As a result, ¥117,175 million of prior service costs have accrued due to the reduced amount of retirement benefit liabilities. These prior service costs will be amortized as expenses using the straight-line method over certain years (10 years) within the estimated average remaining payment periods.

3) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) and retired in and before December 1958 (hereinafter referred to as "share of another public service pension") are recognized as part of reserve for employees' retirement benefits.

The actuarial difference is amortized using the straight-line method over certain years (five years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

(8) Translation of foreign-currency-denominated assets and liabilities into Japanese yen

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end.

(9) Accounting for hedges

1) Hedge accounting for interest rate risks

The Company and its consolidated subsidiaries apply deferred hedge accounting to account for transactions they enter into to hedge interest rate risks on financial assets and liabilities.

Regarding comprehensive hedges for small-lot multiple short-term payables, the Company applies deferred hedge accounting stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 24).

Regarding the method for evaluating hedge effectiveness, for comprehensive hedges for small-lot multiple short-term payables, the effectiveness of hedges that offset market fluctuations are assessed by identifying hedged deposits and the corresponding hedging instruments such as interest rate swaps that are grouped into each prescribed residual time maturity period.

For individual hedges, with respect to methods for evaluating the effectiveness of this hedging, for hedging to offset rate fluctuations, the Company and its consolidated subsidiaries implement hedge designation, for which crucial conditions concerning the hedged interest rates and hedging methods are almost same as the requirements for the exceptional treatment, under which eligible interest rate swap contracts are accounted for on an accrual basis. Accordingly, such hedges are considered as highly effective, resulting in a substitution for evaluating the effectiveness of the hedging transactions. In addition to the above, the Company and its consolidated subsidiaries apply exceptional treatment for certain interest swap contracts that meet the criteria for the exceptional accrual method for interest rate swaps.

2) Hedge accounting for foreign exchange risks

The Company and its consolidated subsidiaries apply deferred hedges, fair value hedge accounting method, or allocation procedures to hedge foreign exchange fluctuation risk for other foreign-currency-denominated securities.

Regarding foreign-currency-denominated securities, hedged securities are identified beforehand and comprehensive hedges are used for these securities provided there are spot-forward liabilities that exceed acquisition cost on a foreign-currency-denominated basis.

For individual hedges, the Company considers its hedges to be highly effective because the Company designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same.

(10) Amortization method of goodwill and amortization period

Goodwill is amortized up to five years depending on the cause of generation using the straight-line method. However, immaterial goodwill is charged promptly in the year of acquisition.

(11) Reserve for price fluctuations in security investments

Reserve for price fluctuations in security investments is computed based on Article 115 of the Insurance Business Act.

(12) Scope of funds in consolidated statements of cash flows

Cash and cash equivalents consists of cash on hand, deposits that can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value (excluding negotiable certificates of deposit held by the banking subsidiary included in "cash and due from banks").

(13) Principal matters serving as the basis for preparing financial statements

1) Consumption taxes

All figures are net of consumption taxes.

2) Consolidated tax provision

The Company and certain consolidated subsidiaries adopt the consolidated tax payment system, under which Japan Post Holdings Co., Ltd. is the parent company.

3) Method of accumulating policy reserves

A policy reserve is a reserve set forth in accordance with Article 116 of the Insurance Business Act. A policy reserve is recognized by performing a calculation based on the following methodology:

(a) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Minister for Finance Services (Ordinance No. 48 issued by the Ministry of Finance in 1996).

(b) Reserves for the other contracts are computed based on the net level premium method.

Pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, effective from fiscal 2011, additional policy reserves are being accumulated over a 10-year period for a portion of reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance, which is an incorporated administrative agency. For the current fiscal year, the amount is ¥175,129 million.

Changes in Accounting Policies

From the end of the current fiscal year, the Company has been applying the Accounting Standard for Retirement Benefits (ASBJ Statement No.26, May 17, 2012; hereinafter the "Accounting Standard for Retirement Benefits") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, May 17, 2012; hereinafter the "Guidance on Retirement Benefits") (except for the provisions set forth in the main text of Clause 35 of Accounting Standard for Retirement Benefits and in the main text of Clause 67 of the Guidance on Retirement Benefits). The Company posts retirement benefit obligation less pension assets as net defined benefit liabilities.

The application of the Accounting Standard for Retirement Benefits and the Guidance on Retirement Benefits is subject to the transitional accounting treatment set forth in Clause 37 of the Accounting Standard for Retirement Benefits and at the end of the current fiscal year the Company posts unrecognized actuarial difference and unrecognized prior service costs after tax effect adjustment as remeasurements of defined benefit plans in total accumulated other comprehensive income.

As a result, the Company recorded ¥2,884,827 million in net defined benefit liabilities at the end of the current fiscal year. Deferred tax assets decreased ¥1,020 million and deferred tax liabilities increased ¥2,548 million and total accumulated other comprehensive income increased ¥261,879 million.

Additional Information

Revisions to deferred tax assets and deferred tax liabilities due to the change in rates of corporate income taxes, etc.

The Act for Partial Revision of the Income Tax Act, etc. (Act. No. 10 of 2014) was promulgated on March 31, 2014, and the special corporation tax for reconstruction will no longer be imposed from fiscal years starting on or after April 1, 2014. As a result of this change in the tax rates, deferred tax assets decreased ¥5,233 million, deferred tax liabilities decreased ¥2,927 million, and income taxes deferred increased ¥7,354 million.

Notes to Consolidated Balance Sheets

1. Securities include ¥1,067 million in shares of non-consolidated subsidiaries and affiliates.
2. Secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions) in the amount of ¥100,660 million is included in government bonds within "Securities."
   For securities borrowed using unsecured consumption loan contracts (securities lending transactions) and securities received using transactions with repurchase agreements or bond lending transactions secured by cash, the balance of the portion of securities where the Company has the right to unrestricted disposal of securities through sales or the reuse (pledge) as collateral was ¥10,031,422 million.
3. Among loans, there were no bankrupt loans, non-accrual delinquent loans, past-due loans (three months or more), and restructured loss amounts.
4. Accumulated depreciation of tangible fixed assets: ¥910,337 million
5. Reduction entry amount for tangible fixed assets: ¥62,214 million
6. Changes in reserve for policyholders' dividends
   Amount at the beginning of the current fiscal year: ¥2,396,947 million
   Dividends to policyholders paid in the current fiscal year: ¥420,523 million
   Increase in interest: ¥4,627 million
   Decrease due to increased annuity purchases: ¥438 million
   Provision for reserve for policyholders' dividends: ¥242,146 million
   Amount at the end of the current fiscal year: ¥2,222,759 million
7. Reserve for outstanding claims, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, as applied pursuant to Article 73, Paragraph 3 of the Ordinance for Enforcement of the Insurance Business Act amounted to ¥82 million. Policy reserves, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act amounted to ¥183 million.
8. At the end of the current fiscal year, the insurance subsidiary's expected future liabilities for the Life Insurance Policyholders Protection Corporation of Japan pursuant to Article 259 of the Insurance Business Act amounted to ¥18,834 million.
   Such burden charges are processed as operating expenses within the consolidated accounting year.
9. The policy reserves (except for the contingency reserve) related to the reinsurance contracts with the Management Organization for Postal Savings and Postal Life Insurance amount to ¥57,879,628 million. The amount was calculated based on the prescribed calculation method for premiums and policy reserves and it will not be lower than the amount calculated by the calculation method for the policy reserves of postal life insurance pursuant to the Law of the Management Organization for Postal Savings and Postal Life Insurance (No. 101, 2005).
   In addition, with the reinsurance-related segment used as the source, ¥2,350,030 million in contingency reserve and ¥554,723 million in reserve for price fluctuations in security investments are provided.

Notes to Consolidated Statements of Income

Under the reinsurance contract concluded with the Management Organization for Postal Savings and Postal Life Insurance, an incorporated administrative agency, ¥222,812 million is provided for reserve for policyholders' dividends based on the performance of the segment related to reinsurance.

Notes to Consolidated Statements of Comprehensive Income

Reclassification adjustments and related tax effect for other comprehensive income

Net unrealized gains (losses) on available-for-sale securities
- Amount incurred during the current fiscal year: ¥813,880 million
- Reclassification adjustments: ¥(114,528) million
  - Before tax effect adjustment: ¥699,352 million
  - Tax effect: ¥(241,453) million
  - Net unrealized gains (losses) on available-for-sale securities: ¥457,899 million

Deferred gains (losses) on derivatives under hedge accounting
- Amount incurred during the current fiscal year: ¥(494,241) million
- Reclassification adjustments: ¥156,509 million
  - Asset acquisition cost adjustment: ¥(4,199) million
  - Before tax effect adjustment: ¥(341,931) million
  - Tax effect: ¥121,862 million
  - Deferred gains (losses) on derivatives under hedge accounting: ¥(220,069) million

Foreign currency translation adjustments
- Amount incurred during the current fiscal year: ¥66 million

Share of other comprehensive income of entities accounted for by the equity method
- Amount incurred during the current fiscal year: ¥2 million
  - Total other comprehensive income: ¥237,899 million

Notes to Consolidated Statements of Changes in Net Assets

1. Type and number of shares issued

(Thousands of shares)

	April 1, 2013	Increase	Decrease	March 31, 2014	Remarks
Outstanding shares					
Common shares	150,000	—	—	150,000	

2. Information concerning dividends
   In accordance with Article 11 of the Japan Post Holdings Co., Ltd. Law, dividend distribution from retained earnings is subject to approval by the Minister of Internal Affairs and Communications.
   Cash dividends (paid) of the current fiscal year

(Resolution)	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Meeting of the Board of Directors on May 22, 2013	Common shares	38,550	257.00	March 31, 2013	June 20, 2013

Notes to Consolidated Statements of Cash Flows

The reconciliation of cash and cash equivalents in the consolidated statements of cash flows to cash and due from banks as stated in the consolidated balance sheets as of March 31, 2014 is as follows.

Cash and due from banks:	¥21,994,452 million
Negotiable certificates of deposit held by the banking subsidiary included in cash and due from banks:	¥(615,000) million
Negotiable certificates of deposit included in securities:	¥151,000 million
Deposits with maturities of more than three months:	¥(781) million
Cash and cash equivalents:	¥21,529,671 million

Financial Instruments

1. Status of Financial Instruments

(1) Approach to Financial Instruments

The Group is required to manage most financial assets and liabilities owned by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. in order to avoid adverse effects such as damage to the ability to secure more stable profit or loss for the period due to future interest rate risk and foreign exchange risk, since these assets and liabilities are generally subject to changes in value due to fluctuations in interest.

For the purpose, both companies endeavor to properly manage income and risk by means of asset liability management (ALM), under which framework they enter into transactions in derivatives such as interest rate swaps and foreign exchange futures.

Derivative transactions are identified as a key hedging method against interest rate risk and foreign exchange risk to our investment assets, and we use them for hedging purposes only (not for speculative purposes).

(2) Features and Risks of Financial Instruments

In the Group, financial assets owned by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. consist mainly of securities such as domestic and overseas securities, in particular Japanese government bonds, loans, stock investments through money held in trust and others. Such financial assets are exposed to risks including the credit risk of their issuing bodies, interest rate risk, and market price fluctuation risk.

From an ALM viewpoint, we use interest rate swaps as a means of hedging future price volatility risk and interest rate risk of securities, loans, fixed term deposits, and others in interest rate-related transactions. On the other hand, for currency-related transactions, we use currency swap and foreign exchange contracts as a means of hedging foreign exchange risk of values assessable at exchange rate of assets in foreign currency owned by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. The values of redemptions and interest are converted into yen.

When we hedge risk using derivative transactions, the Group applies hedging accounting for transactions meeting certain prescribed requirements in order to limit impacts on financial accounting.

(3) Risk Management Framework for Financial Instruments

The "Basic Policy for Group Risk Management" prepared by the Company classifies and defines risk categories managed by Group companies and prescribes basic policy that must be followed by Group companies.

The current status of Group company risk management is periodically reported to the management meeting in which the Group's risk management policies and risk management systems are discussed.

For risks such as market risk, credit risk and other types of risk, each company identifies risks that can be quantified and then uses VaR (value at risk, a measure of the maximum expected loss that could occur due to events with a certain probability) and other methods to measure these risks. The Company manages risk by confirming that the amount of risk measured at each of these two companies is suitable in relation to each company's equity capital.

1) Credit Risk Management

Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. use VaR method to quantify credit risk exposure, respectively in accordance with rules on credit risk management. Moreover, to control credit concentration risk, they provide credit limits for individual companies and corporate groups and supervise these limits during each fiscal year.

2) Market Risk Management

Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. use VaR method to quantify market risk exposure, respectively in accordance with rules on market risk management.

3) Management of Liquidity Risk with Respect to Procurement of Funds

Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. have established indicators for fund procurement and other aspects of operations to manage cash flow risk.

(4) Additional Notes Concerning the Market Value of Financial Instruments

The market value of a financial instrument includes prices based on market quotations as well as rationally calculated prices. In calculating the prices we adopt certain premises and assumptions, and the use of different premises may lead to changes in pricing.

2. Market Values of Financial Instruments and Others

Amounts carried on the consolidated balance sheet, market values and the difference between them as of March 31, 2014 are as follows. In the meantime, privately held shares and others for which it is extremely difficult to identify the market values are not included in the table below (see Note 2).

(Millions of yen)

	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	21,994,452	21,994,452	–
(2) Call loans	2,073,594	2,073,594	–
(3) Receivables under securities borrowing transactions	10,034,958	10,034,958	–
(4) Monetary claims bought	169,721	169,721	–
(5) Trading account securities: Securities classified as trading purposes			
Trading securities	278	278	–
(6) Money held in trust	3,500,631	3,500,631	–
(7) Securities			
Held-to-maturity securities	134,875,084	140,527,456	5,652,372
Policy reserve-matching bonds	17,953,667	19,052,820	1,099,152
Available-for-sale securities	82,653,215	82,653,215	–
(8) Loans	14,096,911		
Reserve for possible loan losses (* 1)	(208)		
	14,096,702	15,138,720	1,042,017
Total Assets	287,352,306	295,145,848	7,793,542
(1) Deposits	175,291,979	175,946,708	654,728
(2) Payables under securities lending transactions	14,370,767	14,370,767	–
Total Liabilities	189,662,747	190,317,476	654,728
Derivative transactions (* 2)			
For which hedge accounting is not applied	141	141	–
For which hedge accounting is applied	(1,001,481)	(1,001,481)	–
Total derivative transactions	(1,001,339)	(1,001,339)	–

(* 1) Reserve for general loan losses corresponding to loans has been deducted.

(* 2) Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums.

Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses.

Additionally, those subject to exceptional treatment for interest rate swaps and the allocation method for forward exchange contracts which requires recognized foreign currency assets or liabilities to be translated using the corresponding foreign exchange contract rates are jointly handled with hedged loans and securities. Then their market values are included in the relevant loans and securities.

Note 1: Calculation Method for Market Values of Financial Instruments

Assets

(1) Cash and due from banks

For funds due from banks with no maturity date, market value is close to book value, which is therefore used as market value. For funds due from banks with a maturity date, the contract period is short (within a year), and market value is close to book value, which is therefore used as market value.

(2) Call loans and (3) Receivables under securities borrowing transactions

These are settled within a short-term (one year), and their market value is close to book value, which is therefore used as market value.

(4) Monetary claims bought

The price offered by the broker, etc., serves as market value.

(5) Trading account securities

The purchase price from the Bank of Japan serves as market value.

(6) Money held in trust

The market value of securities invested in money held in trust, which is solely entrusted for security trading purposes, is based on stock exchange prices for shares, on over-the-counter prices for bonds, or on prices rationally calculated mutatis mutandis on the basis of market quotations.

Notes to money held in trust are given in "Money Held in Trust" in accordance with the purpose of the holdings.

(7) Securities

Market value is based on stock exchange prices for shares, on over-the-counter prices for bonds, or on prices rationally calculated mutatis mutandis on the basis of market quotations.

Notes to securities as classified according to the purpose of holding are given in "Securities."

(8) Loans

For loans with variable interest rates, which follow market interest rates only over the short-term, market value is close to book value unless the obligor's credit standing does not significantly differ after the transaction.

Then book value serves as market value. For those with fixed interest rates, market value is based on a net present value discounted from future cash flow. For loans which amounts are limited to the values of corresponding collateral and which have no fixed date of repayments, market value is close to book value, because their market values are used as book values considering the term and conditions.

Liabilities

(1) Deposits

For demand deposits, the payment amount (book value) if demanded on the consolidated balance sheet date is deemed market value. For the market value of the fixed-term deposits, net present value is discounted from future cash flows, following a division into certain periods. The interest rate applicable to new savings is used as the discount rate.

(2) Payables under securities lending transactions

These are settled within a short-term (one year) and their market value is close to book value, which is therefore used as market value.

Derivatives

Derivatives consist of interest rate-related transactions (interest rate swaps) and currency-related transactions (exchange contracts and currency swaps).

Then market value is based on over-the-counter prices or value obtained from the net present value.

Note 2: The consolidated balance sheet amounts of financial instruments for which it is deemed extremely difficult to identify the market values are as shown below; they are not included in "Assets (7) Securities" under information concerning market values of financial instruments.

(Millions of yen)

Type	Amount on the consolidated balance sheet
Unlisted equities* (Note)	141,152
Total	141,152

Note: Since unlisted equities have no market quotations and it is deemed extremely difficult to identify their market values, they are not disclosed at market value.

Note 3: Amount to be redeemed after the consolidated balance sheet date for monetary claims and securities with maturity

(Millions of yen)

	Due within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	20,935,334	—	—	—	—	—
Call loans	2,073,594	—	—	—	—	—
Receivables under securities borrowing transactions	10,034,958	—	—	—	—	—
Monetary claims bought	81,063	1,378	13,761	10,000	7,000	54,400
Securities						
Held-to-maturity securities	27,338,868	33,550,436	19,485,905	9,829,264	21,284,129	22,847,540
Policy reserve-matching bonds	1,014,401	4,830,421	3,605,125	1,583,792	2,732,196	4,056,700
Available-for-sale securities with maturities	11,007,251	17,463,015	13,216,786	12,928,143	14,303,986	3,362,236
Loans	2,579,870	2,801,100	2,183,133	1,899,461	2,136,635	2,492,467
Total	75,065,341	58,646,353	38,504,713	26,250,661	40,463,948	32,813,344

Note 4: Amount to be repaid after the consolidated balance sheet date for liabilities with interest

(Millions of yen)

	Due within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits (Note)	74,709,231	11,218,546	32,951,793	22,382,440	34,029,968	—
Payables under securities lending transactions	14,370,767	—	—	—	—	—
Total	89,079,998	11,218,546	32,951,793	22,382,440	34,029,968	—

Note: The demand deposits are included in "Due within 1 year".

Securities

Securities discussed here include "Trading account securities," negotiable certificates of deposit recorded under "Cash and due from banks," and a portion of "Monetary claims bought" in addition to "Securities" in the consolidated balance sheets.

1. Trading account securities (As of March 31, 2014)
   No net unrealized gains (losses) are charged to period income or expenses from trading account securities.

2. Held-to-maturity securities (As of March 31, 2014)

(Millions of yen)

	Type	Amount on the consolidated balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the consolidated balance sheet	Japanese government bonds	114,982,371	119,922,919	4,940,548
	Japanese local government bonds	8,709,765	9,115,202	405,436
	Japanese corporate bonds	7,991,710	8,290,168	298,458
	Others	263,235	329,613	66,378
	Subtotal	131,947,082	137,657,903	5,710,821
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	2,564,947	2,561,639	(3,308)
	Japanese local government bonds	125,077	124,177	(899)
	Japanese corporate bonds	237,976	237,723	(253)
	Others	—	—	—
	Subtotal	2,928,001	2,923,540	(4,461)
Total		134,875,084	140,581,444	5,706,359

3. Bonds earmarked for policy reserves (As of March 31, 2014)

(Millions of yen)

	Type	Amount on the consolidated balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the consolidated balance sheet	Japanese government bonds	16,783,518	17,861,458	1,077,940
	Japanese local government bonds	652,123	670,555	18,431
	Japanese corporate bonds	174,853	178,935	4,081
	Subtotal	17,610,495	18,710,949	1,100,453
Those for which the fair value does not exceed the amount on the consolidated balance sheet	Japanese government bonds	233,293	232,257	(1,036)
	Japanese local government bonds	100,614	100,372	(241)
	Japanese corporate bonds	9,263	9,240	(23)
	Subtotal	343,171	341,870	(1,300)
Total		17,953,667	19,052,820	1,099,152

4. Available-for-sale securities (As of March 31, 2014)

(Millions of yen)

	Type	Amount on the consolidated balance sheet	Acquisition cost	Difference
Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Shares	20,813	16,728	4,085
	Bonds	55,968,385	54,431,554	1,536,830
	Japanese government bonds	42,591,140	41,414,466	1,176,674
	Japanese local government bonds	4,864,598	4,741,977	122,621
	Short-term corporate bonds	—	—	—
	Japanese corporate bonds	8,512,646	8,275,111	237,535
	Others	22,288,803	19,960,802	2,328,001
	Subtotal	78,278,003	74,409,085	3,868,917
Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost	Shares	408	486	(78)
	Bonds	2,945,039	2,957,468	(12,428)
	Japanese government bonds	1,773,535	1,773,686	(150)
	Japanese local government bonds	271,980	272,391	(411)
	Short-term corporate bonds	333,979	333,979	—
	Japanese corporate bonds	565,544	577,410	(11,865)
	Others	2,918,785	2,930,949	(12,164)
	Subtotal	5,864,233	5,888,904	(24,671)
Total		84,142,236	80,297,989	3,844,246

5. Held-to-maturity securities sold during the fiscal year
(From April 1, 2013 to March 31, 2014)
None

6. Bonds earmarked for policy reserves sold during the fiscal year
(From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Sales proceeds	Total realized gains	Total realized losses
Japanese government bonds	1,962,621	68,754	—
Japanese local government bonds	109,350	2,212	—
Total	2,071,972	70,967	—

7. Available-for-sale securities sold during the fiscal year
(From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Sales proceeds	Total realized gains	Total realized losses
Shares	2,983	1,226	7
Bonds	1,582,285	8,974	11,344
Japanese government bonds	1,560,117	8,484	8,277
Japanese corporate bonds	22,168	489	3,066
Others	369,797	340	13,592
Total	1,955,066	10,541	24,944

Money Held in Trust

1. Money held in trust for trading purposes (As of March 31, 2014)
None

2. Money held in trust classified as held-to-maturity (As of March 31, 2014)
None

3. Other money held in trust (excluding that classified as for trading and held to maturity) (As of March 31, 2014)

(Millions of yen)

	Amount on the consolidated balance sheet	Acquisition cost	Difference	Those for which the amount on the consolidated balance sheet exceeds the acquisition cost	Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	3,500,631	2,762,362	738,268	747,393	(9,124)

Note: "Those for which the amount on the consolidated balance sheet exceeds the acquisition cost" and "Those for which the amount on the consolidated balance sheet does not exceed the acquisition cost" are subitems of "Differences," respectively.

Retirement Benefit Plans

(From April 1, 2013 to March 31, 2014)

1. Summary of retirement benefit scheme

The Company and its principal consolidated subsidiaries have defined-benefit plans in the form of a lump-sum payment plan. Some consolidated subsidiaries use the simplified method in calculating retirement benefit obligation. Liability amounts for "share of public service pension" and "share of another public service pension" are included in the Company's retirement benefit obligation.

2. Defined-benefit plan

(1) Reconciliation statement for beginning balance to year-end balance of retirement benefit obligation

Beginning balance of retirement benefit obligation	¥3,113,194 million
Service cost	111,364
Interest cost	51,105
Actuarial differences incurred in the current fiscal year	(15,368)
Retirement benefit paid	(247,589)
Prior service cost incurred	(117,175)
Year-end balance of retirement benefit obligation	2,895,530

(2) Reconciliation statement for beginning balance to year-end balance of pension assets

Beginning balance of pension assets	¥10,669 million
Expected return on assets	220
Actuarial differences incurred in the current fiscal year	437
Contribution from business operators	1,267
Retirement benefit paid	(1,891)
Year-end balance of pension assets	10,702

(3) Reconciliation statement for year-end balance of retirement benefit obligation and pension assets to retirement benefit liabilities and retirement benefit assets recorded on the consolidated balance sheets

Accumulation-type retirement benefit obligation	¥11,905 million
Pension assets	(10,702)
	1,202
Non-accumulation-type retirement benefit obligation	2,883,624
Lump-sum payment	2,251,384
Share of public service pension	630,724
Share of another public service pension	1,515
Net amount of liabilities and assets recorded on the consolidated balance sheets	2,884,827
Net retirement benefit liabilities	2,884,827
Net amount of liabilities and assets recorded on the consolidated balance sheets	2,884,827

(4) The amount of retirement benefit expenses and subitems

Service cost	¥111,364 million
Interest cost	51,105
Expected return on pension assets	(220)
Amortization of actuarial differences	(15,904)
Amortization of prior service cost	(8,304)
Others	29
Retirement benefit expenses pertaining to the defined-benefit plan	138,069

(5) Remeasurements of defined benefit plans

A breakdown of items (before tax effect deductions) recorded in remeasurements of defined benefit plan is as follows.

Unrecognized prior service cost	¥110,663 million
Unrecognized actuarial differences	154,785
Total	265,448

(6) Matters concerning pension assets

1) The percentages of each principal category to total pension plan assets are as follows.

Bonds	52%
Equities	21
Cash and deposits	1
Others	26
Total	100

2) Method for setting the rate of long-term expected return on pension assets

The rate of long-term expected return on pension assets is set based on present and projected future pension asset allocation as well as by considering the rate of present and long-term expected return from the diverse assets that compose the pension assets.

(7) Matters concerning the basis for calculation of retirement benefit obligation

Basis for actuarial calculations at the end of the current fiscal year

Discount rate	0.6～1.7%
Rate of long-term expected return on pension assets	2.0%

Risk-Monitored Loans

(Millions of yen)

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Bankrupt loans	—	—
Non-accrual delinquent loans	—	—
Past-due loans (three months or more)	—	—
Restructured loans	—	—
Total	—	—

Per Share Information

(yen)

2014 (From April 1, 2013 to March 31, 2014)	
Net assets per share	89,247.18
Net income per share	3,193.81

Note: Because there was no dilution, the amount for net income per share after dilution is omitted.

Subsequent Events

(Reduction in capital reserves)

At a meeting of the Board of Directors on May 21, 2014, the Board passed a resolution to submit a bill for reducing capital reserves at the shareholders' meeting convened on June 25, 2014, and this bill was approved at the meeting.

(1) Purpose

Capital reserves will be reduced in preparation for carrying out flexible capital policies in the future as well as assuring resiliency in terms of financial strategy.

(2) Main points of capital reserves reduction

In accordance with Article 448, Paragraph 1 of the Companies Act, capital reserves shall be transferred to other capital surplus.

1) Amount of capital reserves reduction

The amount of the capital reserves reduction shall be ¥3,628,856,095,788 from total capital reserves of ¥4,503,856,095,788.

2) Categories of surplus capital that will increase and amounts

Other capital surplus ¥3,628,856,095,788

(3) Effective date of capital reserves reduction

December 1, 2014 (planned)

Segment Information, etc.

(Segment Information)

1. Overview of Reportable Segments

The respective reportable segments are rule-based aggregations of the Company's elements whose financial information is available and which are reviewed regularly by management to make decisions regarding the allocation of management resources and assess operating results.

The Group assesses business results mainly by each consolidated subsidiary (Japan Post Co., Ltd. is divided into the postal service business segment and the post office business segment). Therefore, these units are arranged into identifiable business segments. As for similarities in each business segment's economic features, the markets where products and services are sold and types of customers, those business segments where similarities are recognized have been aggregated to establish reportable segments.

The reportable segments are the postal service business and the post office businesses centering on Japan Post Co., Ltd., the banking business centering on Japan Post Bank Co., Ltd. and the life insurance business undertaken by Japan Post Insurance Co., Ltd.

2. Method of calculating the value of each reportable segment's ordinary income, profit (loss), assets and other items

The accounting method for reporting business segments is the same as that listed in Basis of Presentation of the Consolidated Financial Statements.

Intersegment ordinary income is based on price determined by market price or total cost.

3. Information concerning the amount of ordinary income, profit (loss), assets and other items by reportable segment

(From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Reportable segments					Others	Total
	Postal service business	Post office business	Banking business	Life insurance business	Subtotal		
Ordinary income							
Ordinary income from external customers	1,739,570	90,740	2,124,905	11,834,831	15,790,047	59,137	15,849,185
Ordinary income from internal transactions	60,657	1,184,953	1,005	113	1,246,730	213,596	1,460,327
Total	1,800,227	1,275,694	2,125,910	11,834,945	17,036,778	272,734	17,309,512
Segment profit	49,215	33,551	593,557	528,946	1,205,271	125,301	1,330,573
Segment assets	1,913,110	3,013,407	199,840,670	90,463,501	295,230,689	9,712,785	304,943,474
Other items							
Depreciation	60,187	30,026	25,812	34,390	150,416	12,185	162,602
Amortization of goodwill	—	—	—	—	—	4	4
Interest received, interest and dividends income	267	626	1,876,142	1,500,194	3,377,230	138	3,377,369
Interest expenses	25	0	349,831	3,753	353,610	11	353,621
Equity in gains of affiliates	—	—	22	—	22	—	22
Extraordinary gains	572	598	—	127	1,298	670	1,969
Extraordinary losses	3,819	2,996	1,983	67,107	75,906	4,018	79,924
Losses on sales and disposal of fixed assets	830	893	874	1,958	4,557	284	4,841
Impairment losses	1,363	1,018	606	—	2,988	2,599	5,588
Provision for reserve for price fluctuations	—	—	—	64,656	64,656	—	64,656
Tax expenses	16,818	1,566	217,604	63,861	299,851	(22,957)	276,894
Investment to companies accounted for by the equity method	—	—	923	—	923	—	923
Increase in tangible and intangible fixed assets	43,285	30,679	22,104	39,746	135,815	15,827	151,642

Note 1: Ordinary income is listed in place of net sales common in general type companies.

Note 2: "Others" includes the hotel business and hospital business, which are not included in the reportable segments. Also, segment profit for "Others" includes Dividend income from affiliated companies recorded by the Company in the amount of ¥105,353 million.

(From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reportable segments					Others	Total
	Postal service business	Post office business	Banking business	Life insurance business	Subtotal		
Ordinary income							
Ordinary income from external customers	1,767,818	104,203	2,075,516	11,233,998	15,181,537	58,588	15,240,126
Ordinary income from internal transactions	54,103	1,169,984	897	106	1,225,092	229,210	1,454,303
Total	1,821,922	1,274,188	2,076,414	11,234,105	16,406,630	287,799	16,694,429
Segment profit	18,540	39,236	565,084	462,748	1,085,610	148,144	1,233,755
Segment assets	2,017,207	2,893,901	202,512,860	87,092,800	294,516,769	9,753,351	304,270,121
Other items							
Depreciation	63,904	34,095	33,480	34,074	165,555	10,211	175,766
Amortization of goodwill	—	—	—	—	—	4	4
Interest received, interest and dividends income	926	559	1,827,610	1,458,190	3,287,286	148	3,287,434
Interest expenses	37	0	361,747	4,963	366,748	6	366,755
Equity in gains of affiliates	—	23	(11)	—	12	—	12
Extraordinary gains	378	972	—	—	1,351	459	1,811
Extraordinary losses	5,914	5,551	628	100,030	112,124	11,210	123,335
Losses on sales and disposal of fixed assets	1,993	1,111	562	8,670	12,338	1,374	13,712
Impairment losses	374	3,375	65	—	3,815	9,836	13,652
Provision for reserve for price fluctuations	—	—	—	91,360	91,360	—	91,360
Tax expenses	(865)	12,294	209,802	57,769	279,000	(17,757)	261,242
Investment to companies accounted for by the equity method	—	90	912	—	1,002	—	1,002
Increase in tangible and intangible fixed assets	38,687	25,011	17,700	58,915	140,315	27,114	167,429

Note 1: Ordinary income is listed in place of net sales common in general type companies.
Note 2: "Others" includes the hotel business and hospital business, which are not included in the reportable segments. Also, segment profit for "Others" includes Dividend income from affiliated companies recorded by the Company in the amount of ¥131,253 million.

4. Differences between total amounts of reportable segments and amounts listed on the consolidated financial statements and main details of these differences (matters concerning variance adjustments)

(1) Total ordinary income for reportable segments and ordinary income recorded on the consolidated statements of income

(Millions of yen)

Ordinary income	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Reportable segment totals	17,036,778	16,406,630
Ordinary income in "Others"	272,734	287,799
Elimination of internal transactions	(1,460,327)	(1,454,303)
Ordinary income on the consolidated statements of income	15,849,185	15,240,126

Note: Ordinary income is listed in place of net sales common in general type companies. Regarding variance adjustments, the difference between ordinary income and ordinary income recorded on the consolidated statements of income is listed.

(2) Total income for reportable segments and net ordinary income recorded on the consolidated statements of income

(Millions of yen)

Profit	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Reportable segment totals	1,205,271	1,085,610
Ordinary income in "Others"	125,301	148,144
Elimination of internal transactions	(105,478)	(130,151)
Net ordinary income on the consolidated statements of income	1,225,094	1,103,603

(3) Total consolidated assets for reportable segments and assets recorded on the consolidated balance sheets

(Millions of yen)

Assets	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Reportable segment totals	295,230,689	294,516,769
Ordinary income in "Others"	9,712,785	9,753,351
Elimination of internal transactions	(12,050,499)	(12,023,681)
Total assts on the consolidated balance sheets	292,892,975	292,246,440

(4) Total amount of other items for reportable segments and amount of corresponding items listed on the consolidated financial statements

(Millions of yen)

Other Items	Reportable segment totals		Others		Adjustments		Amount recorded on the consolidated financial statements	
	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Depreciation	150,416	165,555	12,185	10,211	(161)	(84)	162,440	175,682
Amortization of goodwill	—	—	4	4	—	—	4	4
Interest received, interest and dividends income	3,377,230	3,287,286	138	148	(532)	(501)	3,376,837	3,286,933
Interest expenses	353,610	366,748	11	6	(532)	(501)	353,089	366,253
Equity in gains of affiliates	22	12	—	—	—	—	22	12
Extraordinary gains	1,298	1,351	670	459	0	—	1,969	1,811
Extraordinary losses	75,906	112,124	4,018	11,210	(12)	(534)	79,911	122,801
Losses on sales and disposal of fixed assets	4,557	12,338	284	1,374	(9)	(5)	4,832	13,706
Impairment losses	2,988	3,815	2,599	9,836	(3)	3	5,584	13,655
Provision for reserve for price fluctuations	64,656	91,360	—	—	—	—	64,656	91,360
Tax expenses	299,851	279,000	(22,957)	(17,757)	—	—	276,894	261,242
Investment to companies accounted for by the equity method	923	1,002	—	—	—	—	923	1,002
Increase in tangible and intangible fixed assets	135,815	140,315	15,827	27,114	(177)	(198)	151,464	167,231

(Related information)

(From April 1, 2012 to March 31, 2013)

1. Information by type of service

This information is omitted because it is similar to information pertaining to reportable segments.

2. Information by geographic region

(1) Ordinary income

This information is omitted because the amount of ordinary income from external customers in Japan accounted for more than 90% of the total ordinary income on the consolidated statements of income.

(2) Tangible fixed assets

This information is omitted because tangible fixed assets located in Japan accounted for more than 90% of those on the consolidated balance sheets.

3. Information by major customers

This information is omitted because there was no single external customer that accounted for 10% or more of the total ordinary income in the consolidated statements of income.

(From April 1, 2013 to March 31, 2014)

1. Information by type of service

This information is omitted because it is similar to information pertaining to reportable segments.

2. Information by geographic region

(1) Ordinary income

This information is omitted because the amount of ordinary income from external customers in Japan accounted for more than 90% of the total ordinary income on the consolidated statements of income.

(2) Tangible fixed assets

This information is omitted because tangible fixed assets located in Japan accounted for more than 90% of those on the consolidated balance sheets.

3. Information by major customers

This information is omitted because there was no single external customer that accounted for 10% or more of the total ordinary income in the consolidated statements of income.

(Information concerning losses on impairment of fixed assets by reportable segment)

(From April 1, 2012 to March 31, 2013)

This information is described in Segment Information 3. Information concerning the amount of ordinary income, profit (loss), assets and other items by reportable segment.

(From April 1, 2013 to March 31, 2014)

None

(Information about amortization of goodwill and unamortized balance by reportable segment)

(From April 1, 2012 to March 31, 2013)

Information about amortization of goodwill is described in Segment Information 3. Information concerning the amount of ordinary income, profit (loss), assets and other items by reportable segment. The balance of unamortized goodwill was not significant and is therefore not listed.

(From April 1, 2013 to March 31, 2014)

Information about amortization of goodwill is described in Segment Information 3. Information concerning the amount of ordinary income, profit (loss), assets and other items by reportable segment. The balance of unamortized goodwill was not significant and is therefore not listed.

(Information about recognized gain on negative goodwill by reportable segments)

(From April 1, 2012 to March 31, 2013)

None

(From April 1, 2013 to March 31, 2014)

None

Capital Adequacy

Matters for Disclosure Concerning Composition of Capital

Capital structure
Consolidated capital adequacy ratio (domestic standard)
As of March 31, 2013 (Basel II standard)

(Millions of yen)

Item		2013 (As of March 31, 2013)
Core capital (Tier I)	Capital stock	3,500,000
	Of which non-accumulating permanent preferred stock	—
	Deposit for subscription to shares	—
	Capital surplus	4,503,856
	Retained earnings	2,216,622
	Treasury stock (deduction)	—
	Deposit for subscription to treasury stock	—
	Amount scheduled for disbursement (deduction)	38,550
	Net unrealized losses on available-for-sale securities (deduction)	—
	Foreign currency translation adjustments	—
	Stock acquisition rights	—
	Minority interests in consolidated subsidiaries	1,421
	Preferred securities issued by foreign Special Purpose Companies (SPCs)	—
	Trade rights equivalents (deduction)	—
	Goodwill equivalents (deduction)	7
	Intangible fixed assets equivalents recognized as a result of merger (deduction)	—
	Amount equivalent to increase in shareholders' equity resulting from securitization transactions (deduction)	—
	Total (A)	10,183,342
	Equity securities, etc., with probability of being redeemed (carrying covenant regarding step-up interest rate) (Note 3)	—
Supplementary capital (Tier II)	Amount equivalent to 45% of the difference between reappraised land value and book value immediately before revaluation	—
	General reserve for possible loan losses	2,748
	Capital raised through debt financing	—
	Total (B)	2,748
Sub-supplementary capital (Tier III)	Short-term subordinated debt	—
	Total (C)	—
Deduction item	Deduction items (D) (Note 4)	1,000,109
Qualifying capital	Qualifying capital (A)+(B)+(C)–(D)=(E)	9,185,982
Risk-adjusted assets	Assets (on-balance-sheet items)	11,966,917
	Off-balance-sheet transactions, etc.	436,338
	Amount of market risk equivalent, divided by 8%	—
	Amount of operational risk equivalent, divided by 8%	3,605,681
	Total (F)	16,008,937
Consolidated capital adequacy ratio (domestic standard) (E)/(F)		57.38%
Consolidated Tier I capital ratio (A)/(F)		63.61%

Note 1: The consolidated capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006, hereinafter referred to as FSA's Consolidated Capital Adequacy Ratio Disclosure Notice).
The data is calculated on a consolidated basis and according to the domestic standard. It has also applied "Exceptional notification of Capital Ratio" (Financial Services Agency (FSA) Notification No. 56 of 2012).

Note 2: In accordance with Article 15, Paragraph 2 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice, Japan Post Insurance Co., Ltd. is not included in the scope of consolidation.

Note 3: Step-up callable equity securities, etc. (carrying covenant regarding step-up interest rate for redemption), under Article 17, Paragraph 2 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice.

Note 4: Calculated based on Article 20 of the FSA's Consolidated Capital Adequacy Ratio Disclosure Notice and includes capital investments in Japan Post Insurance Co., Ltd. and other companies.

As of March 31, 2014 (Basel III standard)

(Millions of yen)

Item		2014 (As of March 31, 2014)	Amounts excluded under transitional arrangements
Core Capital: Instruments and reserves			
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings		10,577,196	
of which: capital and capital surplus		8,003,856	
of which: retained earnings		2,616,840	
of which: treasury share (deduction)		—	
of which: earning to be distributed (deduction)		43,500	
of which: other than those above		—	
Accumulated other comprehensive income (amount allowed to be included in Core Capital)		66	
of which: foreign currency translation adjustments		66	
of which: remeasurements of defined benefit plans		—	
Subscription rights to common shares and preferred shares with a compulsory conversion clause		—	
Adjusted minority interests (amount allowed to be included in Core Capital)		—	
Allowance included in Core Capital: Instruments and reserves		428	
of which: general allowance for loan losses		428	
of which: eligible provisions to expected losses		—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core Capital)		—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core Capital)		—	
Capital instruments issued through the measures for capital enhancement by public institutions (amount allowed to be included in Core Capital)		—	
45% of land revaluation defferences (amount allowed to be included in Core Capital)		—	
Minority interests included in Core Capital subject to transitional arrangements		1,573	
Core Capital: instruments and reserves	(A)	10,579,264	
Core Capital: regulatory adjustments			
Total intangible fixed assets (excluding those relating to mortgage servicing rights)		2	94,218
of which: goodwill (including those equivalent)		2	—
of which: other intangible fixed assets other than mortgage servicing rights		—	94,218
Deferred tax assets that rely on future profitability excluding those arising from temporary differences		—	—
Shortfall of eligible provisions to expected losses		—	—
Securitization gain on sale		—	—
Gains and losses due to changes in own credit risk on fair valued liabilities		—	—
Defined-benefit pension fund net assets		—	—
Investments in own shares (excluding those reported in the Net Assets section)		—	—
Reciprocal cross-holdings in common equity		—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (hereinafter referred to as “Other Financial Institutions”), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)		—	—
Amount exceeding the 10% threshold on specified items		—	—
of which: significant investments in the common share of Other Financial Institutions		—	—
of which: mortgage servicing rights		—	—
of which: deferred tax assets arising from temporary differences		—	—
Amount exceeding the 15% threshold on specified items		—	—
of which: significant investments in the common share of Other Financial Institutions		—	—
of which: mortgage servicing rights		—	—
of which: deferred tax assets arising from temporary differences		—	—
Core Capital: regulatory adjustments	(B)	2	
Total capital			
Total capital ((A) - (B))	(C)	10,579,261	

(Millions of yen)

Item	2014 (As of March 31, 2014)	Amounts excluded under transitional arrangements
Risk weighted assets		
Total amount of credit risk weighted assets	17,886,576	
of which: total amount included in risk weighted assets subject to transitional arrangements	(562,511)	
of which: intangible fixed assets other than goodwill and mortgage servicing rights	94,218	
of which: deferred tax assets	—	
of which: Defined-benefit pension fund net assets	—	
of which: significant investments in the capital instruments (excluding common shares) of Other Financial Institutions	(656,730)	
of which: other than those above	—	
Amount market risk equivalent divided by 8%	—	
Amount operational risk equivalent divided by 8%	3,600,180	
Credit risk weighted assets adjustments	—	
Amount operational risk equivalent adjustments	—	
Total amount of risk weighted assets (D)	21,486,756	
Capital adequacy ratio (consolidated)		
Capital adequacy ratio (consolidated) ((C)/(D))	49.23%	

Note 1: The consolidated capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006, hereinafter referred to as Holding Company Capital Adequacy Ratio Notice).
The data is calculated on a consolidated basis and according to the domestic standard. Domestic standards based on Basel III have been adopted from the fiscal year ended March 2014.

Note 2: In accordance with Article 15, Paragraph 2 of the Holding Company Capital Adequacy Ratio Notice, Japan Post Insurance Co., Ltd. is not included in the scope of consolidation.

Qualitative Disclosure

1. Scope of consolidation

(1) Differences and the causes of the relevant differences between companies belonging to the Japan Post Group that calculate the consolidated capital adequacy ratio in accordance with Article 15 of the Financial Service Agency's (FSA) Holding Company Capital Adequacy Ratio Notice and companies that are included in the scope of consolidation in accordance with Regulations for Consolidated Financial Statements

The Company calculates its consolidated capital adequacy ratio as follows. Pursuant to Article 52-25 of the Banking Act, Consolidated capital adequacy ratio is calculated its capital adequacy in accordance with the capital adequacy ratio measurement guidelines, FSA's Notice No. 20, March 27, 2006 (hereinafter referred to as Holding Company Capital Adequacy Ratio Notice), which requires the bank holding company to calculate its capital adequacy based on assessment of the assets of the bank holding company and its subsidiaries. In accordance with Article 15, the Group is comprised of the following 15 companies (hereafter the "Group") for the purpose of the calculation of the consolidated capital ratio: Japan Post Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Staff Co., Ltd., Yusei Challenged Co., Ltd., Japan Post Hotel Service Co., Ltd., Japan Post Information Technology Co., Ltd., Japan Post Network Trading Service Co., Ltd., Japan Post Building Management Co., Ltd., JP Logi Service Co., Ltd., JP Biz Mail Co., Ltd., JP Media Direct Co., Ltd., Japan Post Sankyu Global Logistics Co., Ltd., Japan Post Transport Co., Ltd., Japan Post Insurance System Solutions Co., Ltd., and Japan Post International Logistics Co., Ltd. In accordance with the provisions of Article 15, Paragraph 2 of the Holding Company Capital Adequacy Ratio Notice, Japan Post Insurance Co., Ltd., an insurance subsidiary, is not included in the scope of consolidation.

However, according to the Regulations of Consolidated Financial Statements, the scope of consolidation includes 16 companies, comprising 15 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 64 through 75.

(2) Number of consolidated subsidiaries and names and details of main business activities of principal consolidated subsidiaries within the Group

As mentioned previously, the Group is composed of the Company and 15 companies under the Holding Company Capital Adequacy Ratio Notice.

Principal consolidated subsidiaries are Japan Post Co., Ltd. and Japan Post Bank Co., Ltd. For details of business activities of the principal consolidated subsidiaries, refer to pages 30 - 62 of this report.

(3) Number of affiliated corporations engaged in financial businesses subject to application of Article 21 of the Holding Company Capital Adequacy Ratio Notice, names of affiliated companies engaged in the relevant financial businesses, total amounts of assets and total amounts of net assets on the balance sheets and details of principal businesses.

None

(4) Names of companies belonging to the Group that are not included in the scope of consolidation and companies not belonging to the Group that are included in the scope of consolidation, total amounts of assets and total amounts of net assets on the balance sheets and details of principal businesses.

1) Companies belonging to the Group that are not included in the scope of consolidation

None

2) Companies not belonging to the Group that are included in the scope of consolidation

Japan Post Insurance Co., Ltd.

Refer to page 127 of this report for details on the total amount of assets and total amount of net assets for Japan Post Insurance Co., Ltd. and to pages 66 – 67 of this report for details about the company's main business activities.

(5) Restrictions on transfer of funds and common stock among companies in the holding company group

None

2. Overview of capital instruments (This entire amount or partial amount are referred to as capital instruments and included in basic items of core capital as calculated under Article 14 of Holding Company Capital Adequacy Ratio Notice.)

The Company raises capital through equity financing (issuance of common stock). The Ministry of Finance holds 100% of the outstanding stock of the Company.

3. Overview of method for evaluating the level of capital adequacy for the Group

With regard to the current adequacy of capital, the consolidated capital adequacy ratio as of March 31, 2014 calculated in accordance with the Holding Company Capital Adequacy Ratio Notice was 49.23%. This level is substantially higher than the 4% capital adequacy ratio of the domestic standard as the Group maintains adequate management soundness and safety. When calculating the consolidated capital adequacy ratio, the standardized approach is used for credit risk and the basic indicator approach is used for operational risk. A figure for market risk is not included.

*Japan Post Bank holds most of the assets with risk exposure concerning risk categories for companies belonging to the holding company's group with regard to Holding Company Capital Adequacy Ratio Notice. Consequently, the following section covers primarily risk management at Japan Post Bank.

As a bank holding company, Japan Post Holdings monitors the overall risk management framework at Japan Post Bank. In addition, the holding company supervises risk management for the entire Group in accordance with the Basic Policy for Group Risk Management. Please refer to "6. Japan Post Group Risk and Crisis Management" on pages 94 through 95 for more information about risk management for the Japan Post Group.

4. Credit risk

(1) Summary of risk management policy and procedures

Credit risk is the risk of incurring a loss due to a decline in the value of assets (including off-balance-sheet assets), or total loss of value due to the deteriorating financial condition of an obligor or to other factors.

Japan Post Bank uses a statistical method called value at risk (VaR) to quantify credit risk exposure. Risk is monitored and managed by establishing a credit line so that the amount of credit risk does not exceed the amount of capital allocated for credit risk, based on the Bank's equity and other resources. In addition, Japan Post Bank performs stress tests to be prepared for an increase in credit concern resulting from big recession in the economy that exceeds the range that can be statistically foreseen.

To control credit concentration risk, Japan Post Bank provides credit limits for individual companies and corporate groups and supervises these limits during each fiscal year.

To provide a system of checks and balances for credit risk management, Japan Post Bank has a Risk Management Department, positioned as a middle management unit, and a Credit Department, positioned as a credit control unit. Within the Bank's organization, these units are independent of front-office and back-office operations.

The Risk Management Department is responsible for the internal credit rating system, self-assessments of loans and other credit risk activities. The Credit Department is responsible for monitoring individual credit accounts, including the assignment of internal credit ratings, monitoring of status of borrowers and overseeing of large borrowers and screening of loans.

The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions on matters concerning the establishment and operation of credit risk management programs and on credit risk management.

Moreover, Japan Post Bank conducts credit business with the fundamental principles of public welfare, financial soundness and profitability. The Bank has a "Credit Business Regulation" to underpin sound and appropriate credit business activities by all executives and employees, in which the Bank has defined in writing its basic philosophy, behavior guidelines and other items of credit business.

Reserve for possible loan losses is provided for in accordance with the write-off and provision standards from the "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public Accountants (JICPA), Special Committee for Audits of Banks, etc. Report No. 4). In accordance with self-assessment standards for assets, all loans are categorized by marketing departments and then audited by independent credit assessment departments.

Japan Post Bank continuously monitors obligors' ability to meet the financial obligations, their financial condition and other factors affecting their credit standing in order to check obligors' credit risk in a timely and suitable manner.

(2) Portfolios where the standardized approach is applied

1) Qualified rating agencies, etc. used in making judgments on risk weights

When making judgments on risk weight, Japan Post Bank uses the credit ratings of four rating agencies and the Organisation for Economic Co-operation and Development (OECD). The four credit rating agencies are Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); and Standard & Poor's Ratings Services (S&P).

For the calculation of the consolidated capital adequacy ratio, Japan Post Holdings also uses the ratings of Fitch Ratings Limited.

2) Qualified rating agencies, etc. used in making judgments on risk weight for each category of exposure

Japan Post Bank uses the following qualified rating agencies, etc. for the following credit risk exposure categories.

When there are ratings from more than one rating agency, Japan Post Bank bases risk weighting decisions on Ministerial Notification of Capital Adequacy Ratio of the FSA's Notice No. 19, March 27, 2006 (hereinafter referred to as "Capital Adequacy Ratio Notice"). Based on this standard, the Bank uses the rating corresponding to the second-smallest risk weighting from among all ratings.

Exposure		Rating agencies
Central governments and central banks	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Non-central government public sector entities		R&I, JCR, Moody's, S&P
Foreign non-central government public sector entities		Moody's, S&P, OECD
Multilateral Development Banks		Moody's, S&P
Japan Finance Organization for Municipalities		R&I, JCR, Moody's, S&P
Japanese government agencies		R&I, JCR, Moody's, S&P
Three regional public corporations under Japanese local governments		R&I, JCR, Moody's, S&P
Financial institutions and Type I Financial Instruments Business Operators	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Corporates	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P
Securitization transactions		R&I, JCR, Moody's, S&P

5. Summary of risk management policy and procedures for credit risk mitigation methods

When calculating the capital adequacy ratio, Japan Post Bank applies "credit risk mitigation methods" prescribed in the Capital Adequacy Ratio Notice. These methods are used to incorporate the risk mitigation effects of collateral, guarantees and other items in the capital adequacy ratio. These methods include qualified financial collateral, the netting of loans and self-deposits, and guaranties, credit derivatives.

■ Types of qualified financial collateral

Japan Post Bank accepts cash, self-deposits and securities as qualified financial collateral.

■ Summary of policy and procedures for valuation and management of collateral

Japan Post Bank uses the "simple approach" prescribed in the Capital Adequacy Ratio Notice for application of the qualified financial collateral.

There are internal bank procedures to permit the timely disposal or acquisition of qualified financial collateral based on contracts concerning collateral as prescribed in loan agreements, etc.

■ Summary of policy and procedures for offsetting loans and self-deposits and types and scope of applicable transactions

For the use of the netting of loans and self-deposits, as prescribed in the special terms for netting in the bank transaction agreement, etc., the remaining amount after netting loans and self-deposits is used as the amount of exposure for calculating the capital adequacy ratio.

As of the end of March 2014, Japan Post Bank was not using the offsetting of loans and self deposits.

■ Categories and credit standing of guarantors and major credit derivative counterparties

Principal guarantors are the central governments, etc. to which lower risk weightings than the guaranteed obligations are applied.

Japan Post Bank does not handle credit derivatives that use credit risk mitigation methods.

■ Summary of policy and procedures when using legally binding mutual netting contracts for derivative transactions and transactions with repurchase agreements and categories and scope of applicable transactions

Japan Post Bank considers the results of derivatives transactions, including interest swaps and currency swaps, for which it has concluded effective netting contracts in accordance with the legal systems of each country in which it carries out transactions

■ Information concerning concentrations of credit risk and market risk associated with the use of credit risk mitigation methods

The principal credit risk mitigation methods are qualified financial collateral that use cash and self-deposits and there is no concentration of credit risk and market risk.

6. Summary of risk management policy and procedures for counterparty risk concerning derivative transactions and transactions with long term settlements

(1) Policy on collateral security and reserve calculation, impact in the event of need for provision of additional collateral due to downturn in credit standing of Japan Post Bank

As required, Japan Post Bank enters into contracts for the mitigation of credit risk in which collateral is periodically submitted or received with the derivative transaction counterparty in order to cover rebuilding and other costs. Under the provision of these contracts, a decline in the financial condition of Japan Post Bank may require the provision of additional collateral to the counterparty. However, the Bank believes that the impact would be negligible.

The collateral concerning derivative transactions provided as of March 31, 2014 was ¥1,054,561 million.

The policy for calculating the allowance for derivative transaction losses is the same as for ordinary balance sheet assets.

(2) Policy for credit lines and allocation of capital for risk exposure

When conducting derivative transactions, Japan Post Bank assigns obligor ratings to all counterparties and provides credit lines in accordance with the rating of each counterparty. These limits are monitored on a daily basis. In addition, to manage credit risk, the balance of credit extended is calculated using the current exposure method, which takes into account the market value of derivatives and future price volatility risk.

The allocation of capital for taking on risk for derivative transactions is almost the same as other transactions.

7. Securitization exposure

(1) Summary of risk management policy and risk characteristics

As an investor, Japan Post Bank is exposed to risks associated with securitization. Just as with investments in other securities, for purchasing, the Bank provides credit limits based on obligor ratings assigned in accordance not only with external credit ratings but also with the Bank's own thorough examination of underlying assets, the senior/subordinate rights structure, the nature of securitization scheme and other factors. Following a purchase, the Bank monitors external credit ratings, the status of recovering underlying assets and other factors. Also, credit risk with securitization exposure is included in the calculation of credit risk and interest rate risk is included in the calculation of market risk. In addition, the Bank is also aware of market liquidity risk and reports on the state of these risks to the Management

Meeting and other bodies.

The procedure concerning re-securitization exposure is the same as for securitization exposure.

(2) Outline of the establishment and state of operation of a system prescribed by Article 227, Paragraph 4-3 to -6 of Holding Company Capital Adequacy Ratio Notice (includes cases of application pursuant to Article 232, Paragraph 2 and Article 280-4, Paragraph 1) of Holding Company Capital Adequacy Ratio Notice.

For securitization exposure risk, Japan Post Bank operates a structure that ascertains on a timely basis information concerning comprehensive risk characteristics and performance. Specifically, the Bank periodically reviews obligor ratings. Additionally, in the event that a decline in the quality of or change in the structure of underlying assets has an impact on obligor ratings, the Bank will provisionally review the obligor ratings.

The procedures concerning re-securitization exposure are the same as for securitization exposure.

(3) Policies when using securitization transactions as a credit risk mitigation method

Japan Post Bank does not use securitization transactions as a credit risk mitigation method.

(4) Name of method used to calculate amount of credit risk assets for securitization exposure

Japan Post Bank uses the standardized approach prescribed in the Capital Adequacy Ratio Notice for calculating the amount of credit risk assets for securitization exposure.

(5) Name of method used for calculating an amount equivalent to market risk of securitization exposure

Not applicable

(6) Distinguishing types of conduits for securitization and whether the Group is exposed to risks associated with securitization from securitization transactions when using conduits for securitization in executing securitization transactions for third-party assets.

The Japan Post Group does not use conduits for securitization to execute securitization transactions involving third-party assets.

(7) Among the Group's subsidiaries (excluding consolidated subsidiaries, etc.) and affiliate companies, names of those companies exposed to risk associated with securitization transactions carried out by the Group (including securitization transactions using conduits for securitization)

Not applicable

(8) Accounting policy on securitized transactions

For the recognition, valuation and accounting treatment of origination and extinguishment of financial assets and liabilities associated with securitized transactions, Japan Post Bank applies ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" (January 22, 1999, Business Accounting Council).

(9) Name of qualified rating agencies used in making judgments on risk weight for securitization exposure by category

Japan Post Bank uses the ratings of the following credit rating agencies for the calculation of credit risk assets for securitization exposure: Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); and Standard & Poor's Ratings Services (S&P).

8. Operational risk

(1) Summary of risk management policy and procedures

The Japan Post Group defines operational risk as the risk of incurring losses caused by inappropriate activity involving business processes, the activities of executives and employees or computer systems, or by external events.

Japan Post Bank has seven categories of operational risk: processing risk, computer system risk, information assets risk, legal risk, human resources risk, tangible assets risk and reputational risk.

Japan Post Bank identifies, assesses, controls, monitors and mitigates risk for each risk category to manage operational risk and to maintain the soundness of operations.

To manage risk, Japan Post Bank identifies risks associated with business operations and evaluates these risks based on the frequency of their occurrence and the scale of the impact on operations. The Bank provides controls in accordance with the importance of each risk, monitors these risks and takes actions as required.

In addition, Japan Post Bank prepares a list of operational risks associated with business processes, products, computer systems and other items. The Bank periodically uses a Risk & Control Self Assessment (RCSA) process to determine the effectiveness of management systems aimed at reducing exposure to these risks. Through RCSA, areas in which risk management needs to be improved and areas in which risk management needs to be reinforced are identified.

(2) The name of method used for the calculation of an amount equivalent to operational risk

Japan Post Bank uses the "basic indicator approach" with regard to the calculation of an amount equivalent to operational risk.

9. Summary of risk management policy and procedures for investments, shares and other exposure in banking account

Japan Post Bank, which is a company engaged in the banking business that belongs to the Group as prescribed in Holding Company Capital Adequacy Ratio Notice, monitors and manages exposure to investments, stock, and other assets as owned by the bank based on the framework of market risk management and credit risk management. It does so by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, based on the Bank's equity and other resources.

10. Interest rate risk in the banking account

(1) Summary of risk management policy and procedures

Interest rate risk is the risk of incurring a loss due to interest rate fluctuations and the risk of a decline in earnings or loss resulting from interest rate fluctuations when there is an interest rate or maturity mismatch between assets and liabilities.

At Japan Post Bank, market investments (Japanese government bonds) account for the majority of assets and TEIGAKU deposits account for the majority of liabilities. The Bank has a market risk management system that reflects the characteristics and risk profile of these operations.

When measuring the volume of market risk, Japan Post Bank uses a statistical method called VaR to quantify the amount of market risk. Risk is monitored and managed by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, based on the Bank's equity and other resources. In addition,

Japan Post Bank performs stress tests to be prepared for extreme market volatility that exceeds the range that can be statistically foreseen.

To provide a system of checks and balances for market risk management, Japan Post Bank has established the Risk Management Department, which is positioned as a middle office unit that is independent of front office and back office units.

The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions concerning matters involving the establishment and operation of the market risk management system and the execution of market risk management.

For reaching proper decisions quickly, daily reports are submitted to senior management concerning the volume of market risk (VaR), compliance with limits for market risk exposure and loss limits for market risk and other items. In addition, Japan Post Bank analyzes risk on a regular basis by using back testing and stress testing and reports the results of these tests to the Executive Committee and other organizational units. These activities are aimed at consistently generating earnings while properly controlling market risk.

(2) Summary of method for calculating banking account interest rate risk for internal management

Japan Post Bank adopts the historical simulation method for the internal model used to measure the volume of market risk (VaR). The Bank adopts a one-tailed confidence level of 99%, a holding period of 240 business days (one year) and an observation period of 1,200 business days (five years).

Among liquid deposits, for deposits that will not be withdrawn and will remain at the Bank over the long term (so-called core deposits), Japan Post Bank uses a model for estimating outstanding balances and allocation to settlement dates. For time deposits, the Bank performs measurements by using estimated future cash flows based on a model.

Quantitative Disclosure

1. Among subsidiaries that are Other Financial Institutions (referred to as Other Financial Institutions as prescribed under Article 18, Paragraph 6-1 of Holding Company Capital Adequacy Ratio Notice), names of the companies with shortage in the regulatory required capital and the total amounts of the regulatory required capital shortfall.

   Not applicable as of March 31, 2013 and 2014.

2. Capital adequacy

(1) Amount of required capital for credit risk (On-balance-sheet items)

(Millions of yen)

	Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
1	Cash	—	—
2	Japanese government and the Bank of Japan	—	—
3	Foreign central governments and central banks	14,349	12,803
4	Bank for International Settlements, etc.	—	—
5	Non-central government public sector entities	—	—
6	Foreign non-central government public sector entities	6,202	5,368
7	Multilateral Development Banks	7	5
8	Japan Finance Organization for Municipalities	2,291	2,697
9	Japanese government agencies	16,283	14,277
10	Three regional public corporations under Japanese local governments	0	16
11	Financial Institutions and Type I Financial Instruments Business Operators	76,003	87,233
12	Corporates	185,405	262,969
13	Small and medium-sized enterprises and individuals	4	5
14	Residential housing mortgages	—	—
15	Project finance (acquisition of real estate)	4,026	7,830
16	Past-due loans (three months or more)	3,754	13,821
17	Outstanding drafts	—	—
18	Loans guaranteed by Credit Guarantee Corporation, etc.	—	—
19	Loans guaranteed by the Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—	—
20	Investments in capital and others	55,692	42,919
	of which, exposure to investments		42,919
	of which, exposure to significant investments		—
21	Other than above	112,075	262,549
	of which. exposure to capital instruments other than those corresponding to subject common shares among capital instruments of Other Financial Institutions		43,782
	of which, exposure related to portions not included in adjustment items among specified items		113,872
	of which, other exposure		104,894
22	Securitization transactions (as originator)	—	—
	Re-securitization transactions	—	—
23	Securitization transactions (as investor and other)	2,579	3,040
	Re-securitization transactions	80	69
24	Assets (assets comprised of pooled assets such as funds, etc.) difficult to identify specifically	—	—
25	Amount of items included in risk weighted assets through transitional arrangements		3,768
26	Amount of items not included in risk weighted assets through transitional arrangements pertaining to exposure concerning capital instruments of Other Financial Institutions		(26,269)
	Total	478,676	693,040

Note: Required capital is calculated using the following formula:
Credit risk-weighted assets × 4%

(2) Amount of required capital for credit risk (Off-balance-sheet items)

(Millions of yen)

	Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
1	Commitment lines that can be cancelled automatically or unconditionally at any time	—	—
2	Commitment lines with original contracts of one year or less	8	—
3	Short-term trade contingent liabilities	—	—
4	Contingent liabilities arising from specific transactions	—	—
	(principal reimbursement trust deeds with restructuring)	—	—
5	NIF or RUF	—	—
6	Commitment lines with an original duration of one year or longer	54	54
7	Contingent liabilities arising from directly substituted credit	6,235	6,108
	(of which secured with loan guarantees)	3,660	2,729
	(of which secured with securities)	—	—
	(of which secured with drafts)	—	—
	(of which principal reimbursement trust deeds without restructuring)	—	—
	(of which secured with credit derivative protection)	1,515	1,919
8	Assets sold with repurchase agreements or assets sold with right of claim (after deductions)	—	—
	Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	—	—
	Deduction	—	—
9	Futures bought, forward delivery deposits, partially subscribed equity shares, partially subscribed bonds	—	18
10	Securities lending, cash or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement	8,616	11,010
11	Derivative transactions and long-term settlements transactions	2,537	2,091
	Current exposure method	2,537	2,091
	Derivative transactions	2,537	2,091
	Foreign exchange related transactions	2,002	2,545
	Interest rate related transactions	487	577
	Gold related transactions	—	—
	Equity security related transactions	—	0
	Precious metal related transactions (excluding gold)	—	—
	Other commodity related transactions	—	—
	Credit derivative transactions (counterparty risk)	48	43
	Netting effect on credit equivalent amount under close-out netting agreement (deduction)	—	1,075
	Long-term settlements transactions	—	—
12	Outstanding transaction	1	1
13	Providing adequate liquidity related to securitization exposure and adequate servicer cash advance	—	—
14	Off-balance-sheet securitization exposure other than the above	—	—
	Total	17,453	19,285

Note1: Required capital is calculated using the following formula:
Credit risk-weighted assets × 4%

Note2: From fiscal 2014, the Group considers netting effect on credit equivalent amounts under close-out netting agreements.

(3) Total amount of consolidated required capital

(Millions of yen)

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Total amount of consolidated required capital	640,357	859,470
Amount of required capital for credit risk	496,130	715,463
Assets (on-balance-sheet items)	478,676	693,040
Off-balance-sheet transactions, etc.	17,453	19,285
CVA risk equivalent amount		3,137
Central Counterparty risk exposure		—
Amount of required capital for market risk equivalent amount		—
Amount of required capital for operational risk equivalent amount	144,227	144,007
Basic indicator approach	144,227	144,007

Note 1: The total amount of consolidated required capital is the denominator of the consolidated capital adequacy ratio x 4%.
Note 2: The amount of required capital for credit risk is the amount of credit risk assets x 4%.
Note 3: The amount of required capital for market risk equivalent amount is not applicable since the Group, based on Article 16 of Holding Company Capital Adequacy Ratio Notice, does not include market risk equivalent amounts in the calculation formulae prescribed under Article 14 of the Notice.
Note 4: The amount of required capital for operational risk equivalent amount is operational risk equivalent amount divided by 8% x 4%.

3. Credit risk

(1) Credit risk exposure by region, industry and customer

(Millions of yen)

Counterparts		2013 (As of March 31, 2013)				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	14,990,079	146,951,105	—	33,822	161,975,007
	Financial institutions	52,731,740	9,538,663	215,900	41,768	62,528,072
	Corporates	563,066	6,162,323	—	285,398	7,010,788
	Small and medium-sized enterprises and individuals	—	—	—	280	280
	Project finance (acquisition of real estate)	—	—	—	100,655	100,655
	Others	4,902,504	2,257,355	47	7,133,669	14,293,576
	Domestic total	73,187,389	164,909,448	215,947	7,595,594	245,908,380
Overseas total		—	—	—	—	—
Total		73,187,389	164,909,448	215,947	7,595,594	245,908,380

(Millions of yen)

Counterparts		2014 (As of March 31, 2014)				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	25,454,484	135,920,684	—	35,953	161,411,122
	Financial institutions	49,039,604	9,565,952	88,491	1,057,046	59,751,095
	Corporates	392,782	6,208,436	—	385,113	6,986,332
	Small and medium-sized enterprises and individuals	—	—	—	291	291
	Project finance (acquisition of real estate)	—	—	—	195,761	195,761
	Others	5,785,603	2,945,388	41	10,346,453	19,077,486
	Domestic total	80,672,474	154,640,462	88,533	12,020,619	247,422,089
Overseas total		854	—	—	4	858
Total		80,673,328	154,640,462	88,533	12,020,623	247,422,947

Note 1: All subsidiaries other than Japan Post Bank do not engage in loan operations, in principle, and therefore do not categorize credit by industry sector. Accordingly, a breakdown by customer is presented in the above table.
Note 2: "Domestic" and "overseas" refer to the domicile of the main branch (head office).
Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 4: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 5: "Derivatives" include currency swaps and interest rate swaps, etc.
Note 6: "Sovereigns" include central governments, central banks, local governments, etc.
Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type I financial instruments business operators.
Note 8: "Corporates" include Foreign public-sector entities other than central governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations, etc.
Note 9: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 10: The exposure amount in fiscal 2014 does not include in intangible fixed assets that are subject to calculation of credit risk asset due to transitional arrangements.

(2) Credit risk exposure by maturity

(Millions of yen)

Remaining period	2013 (As of March 31, 2013)				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	54,572,830	35,160,610	17,957	333,350	90,084,750
Over 1 year to 3 years	635,720	48,946,748	83,599	4,505	49,670,574
Over 3 years to 5 years	1,251,031	28,913,598	44,858	1,014	30,210,503
Over 5 years to 7 years	980,373	19,490,548	45,434	36	20,516,392
Over 7 years to 10 years	550,966	28,915,600	23,975	—	29,490,542
Over 10 years	2,154,438	3,482,342	121	—	5,636,902
No due date or perpetual	13,042,028	—	—	7,256,686	20,298,715
Total	73,187,389	164,909,448	215,947	7,595,594	245,908,380

(Millions of yen)

Remaining period	2014 (As of March 31, 2014)				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	51,673,970	34,235,698	2,857	403,568	86,316,095
Over 1 year to 3 years	714,812	42,386,041	41,983	2,733	43,145,571
Over 3 years to 5 years	1,086,922	24,752,991	32,084	146	25,872,146
Over 5 years to 7 years	480,288	19,516,950	9,940	2	20,007,181
Over 7 years to 10 years	873,168	30,842,861	1,666	—	31,717,696
Over 10 years	1,439,183	2,905,918	—	—	4,345,101
No due date or perpetual	24,404,982	—	—	11,614,172	36,019,154
Total	80,673,328	154,640,462	88,533	12,020,623	247,422,947

Note 1: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 2: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 3: "Derivatives" include currency swaps and interest rate swaps, etc.
Note 4: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 5: The exposure amount in fiscal 2014 does not include in intangible fixed assets that are subject to calculation of credit risk assets due to transitional arrangements.

(3) Past-due loans for three months or more exposure by region, industry and customer

(Millions of yen)

Counterparts		2013 (As of March 31, 2013)					2014 (As of March 31, 2014)				
		Loans and deposits	Bonds	Derivatives	Others	Total	Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	—	—	—	—	—	—	—	—	—	—
	Financial institutions	—	—	—	—	—	—	—	—	—	—
	Corporates	—	—	—	7	7	—	—	—	8	8
	Small and medium-sized enterprises and individuals	—	—	—	117	117	—	—	—	122	122
	Project finance (acquisition of real estate)	—	—	—	—	—	—	—	—	—	—
	Others	—	—	—	4,319	4,319	—	—	—	2,995	2,995
	Domestic total	—	—	—	4,443	4,443	—	—	—	3,126	3,126
Overseas total		—	—	—	—	—	—	—	—	—	—
Total		—	—	—	4,443	4,443	—	—	—	3,126	3,126

Note 1: "Past-due loans for three months or more" means the payment of principal or interest is past due three months or more from the day following the scheduled payment date.
Note 2: "Domestic" and "overseas" refer to the domicile of the main branch (head office).
Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 4: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 5: "Derivatives" include currency swaps and interest rate swaps, etc.
Note 6: "Sovereigns" includes central governments, central banks, local governments, etc.
Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type I financial instruments business operators.
Note 8: "Corporates" include Foreign public-sector entities other than central governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations, etc.
Note 9: Exposures of certain subsidiaries are included in "Others" (exposure) under "Others" (counterparts).
Note 10: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

(4) Year-end balances and changes during the period of general allowance for loan losses, specific allowance for doubtful accounts, and loan loss allowance for specific overseas countries.

Year-end balance

(Millions of yen)

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
General allowance for loan losses	208	141
Specific allowance for doubtful accounts	—	—
Loan loss allowance for specific overseas countries	—	—

Change during the period

(Millions of yen)

	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
General allowance for loan losses	(6)	(66)
Specific allowance for doubtful accounts	—	—
Loan loss allowance for specific overseas countries	—	—

Note 1: Allowance for loan losses related to loans disclosed under the Financial Revitalization Law is listed.
Note 2: General allowance for loan losses is not classified by region, industry and customer.

(5) The amount of write-off of loans by industry and customer
There were no write-offs.

(6) Amount of exposure by risk weight category

(Millions of yen)

Risk weight	2013 (As of March 31, 2013)		2014 (As of March 31, 2014)	
	Rated	Not rated	Rated	Not rated
0%	168,358,348	48,812,330	167,691,724	46,024,412
2%			—	—
4%			—	—
10%	—	4,892,870	941	4,470,010
20%	12,406,878	42	14,007,454	2,039
35%	—	—	—	—
50%	4,202,213	4,170	5,315,945	2,911
75%	—	162	—	168
100%	2,741,192	4,421,933	3,834,710	4,266,685
150%	67,962	273	229,174	214
250%			332,704	1,243,842
1,250%			—	—
Others	3	—	4	—
Total	187,776,597	58,131,782	191,412,660	56,010,286

Note 1: Ratings are used for those rated by qualified rating agencies in principle.
Note 2: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 3: Regarding assets to which the Company applies credit risk mitigation techniques for a portion of its exposure, the Group records exposure amounts in weighted categories after the application of credit risk mitigation techniques.
Note 4: Regarding assets to which the Company applied transitional arrangements, the Company records these assets in risk weighted categories in case of that transitional arrangements are not applied.

4. Credit risk mitigation methods

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	2013 (As of March 31, 2013)		2014 (As of March 31, 2014)	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Qualified financial collateral	47,346,924	87.59%	45,096,205	88.53%
Guarantees	6,703,773	12.40%	5,841,094	11.46%
Total	54,050,698	100.00%	50,937,299	100.00%

Note 1: Japan Post Bank accepts cash, self-deposits and securities as qualified financial collateral.
Note 2: Principal guarantors are central governments, etc. to which lower risk weight than the guaranteed obligations are applied.
Note 3: The exposure amount included in funds such as investment trusts are not included herein.

5. Derivative transactions and long-term settlements transactions

Derivative transactions and long-term settlements transactions

(Millions of yen)

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Aggregate sum of amounts of gross reconstruction costs	7,714	5,407
Aggregate sum of gross add-on amounts	208,233	217,525
Gross credit equivalents	215,947	222,933
Foreign exchange related transactions	172,378	182,052
Interest rate related transactions	43,568	40,880
Long-term settlements transactions	—	—
Reduction in credit equivalents through netting (deduction)		134,399
Net credit equivalents		88,533
Collateral amount		1,312
Marketable securities		1,312
Net credit equivalents (after consideration of effectiveness of risks mitigated by collateral)		88,533

Note 1: Credit equivalents are calculated by the "current exposure method."

Note 2: Regarding derivative transactions and transactions with long-term settlements, only those transactions requiring the calculation of credit equivalents are included.

Note 3: Derivative transactions and transactions with long-term settlements included in funds such as investment trusts are not included herein.

Note 4: Limited to transactions on which gross reconstruction costs are not less than zero.

Note 5: From the end of fiscal 2014, consideration is being given to the effectiveness of the amount of netting effect on credit equivalents under close-out netting agreements.

Note 6: Credit risk mitigation through collateral is considered through risk weighting, and credit equivalent amounts are not considered.

Note 7: Neither credit derivatives subject to credit equivalent amount calculations nor credit derivatives used to consider the effect of credit risk mitigation methods are available.

Note 8: The amount of netting effect on credit equivalents through netting is equal to an amount that subtracts credit equivalents prior to considerations of credit risk mitigation using collateral from the aggregate sum of amounts of gross reconstruction costs and aggregate sum of gross add-on amounts.

6. Securitization exposure

Securitization exposure in which the Group invests:

(1) Securitization exposure and breakdown by type of main underlying assets (excluding re-securitization exposure)

(Millions of yen)

Type of underlying assets	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Mortgage loans	258,922	311,121
Auto loans	2,645	11,803
Leases	771	63
Accounts receivable	1,080	137
Corporate loans	94,889	94,783
Others	2,944	1,692
Total	361,254	419,601

Note 1: There are no off-balance-sheet transactions.

Note 2: There are no credit risk assets falling under Article 15 of Supplementary Provisions of Holding Company Capital Adequacy Ratio Notice.

(2) Re-securitization exposure and breakdown by type of main underlying assets

(Millions of yen)

Type of underlying assets	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Mortgage loans	5,059	4,346
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
Total	5,059	4,346

Note 1: There are no off-balance-sheet transactions.

Note 2: There are no credit risk assets falling under Article 15 of Supplementary Provisions of Holding Company Capital Adequacy Ratio Notice.

(3) Balance by risk weight of securitization exposure and amount of required capital (excluding re-securitization exposure)

(Millions of yen)

Risk weight	2013 (As of March 31, 2013)		2014 (As of March 31, 2014)	
	Balance	Required capital	Balance	Required capital
Less than 20%	97,834	391	96,476	385
20%	263,419	2,107	323,124	2,584
50%	—	—	—	—
100%	—	—	—	—
350%	—	—	—	—
1,250%			—	—
Total	361,254	2,498	419,601	2,970

Note 1: There are no off-balance-sheet transactions.

Note 2: Required capital is the amount of credit risk assets × 4%.

Note 3: There are no credit risk assets falling under Article 15 of Supplementary Provisions of Holding Company Capital Adequacy Ratio Notice.

(4) Balance by risk weight of re-securitization exposure and amount of required capital

(Millions of yen)

Risk weight	2013 (As of March 31, 2013)		2014 (As of March 31, 2014)	
	Balance	Required capital	Balance	Required capital
Less than 40%	—	—	—	—
40%	5,059	80	4,346	69
100%	—	—	—	—
225%	—	—	—	—
650%	—	—	—	—
1,250%			—	—
Total	5,059	80	4,346	69

Note 1: There are no off-balance-sheet transactions.

Note 2: There are no credit risk mitigation methods applied to re-securitization exposures.

Note 3: Required capital is the amount of credit risk assets × 4%.

Note 4: There are no credit risk assets falling under Article 15 of Supplementary Provisions of Holding Company Capital Adequacy Ratio Notice.

7. Market risk

Not applicable since the Group, based on Article 16 of Holding Company Capital Adequacy Ratio Notice, does not include the amount of market risk equivalent in the calculation formulae prescribed under Article 14 of the Notice.

8. Equity exposure in the banking account

(1) Amount carried on the consolidated balance sheet and fair value

(Millions of yen)

	2013 (As of March 31, 2013)		2014 (As of March 31, 2014)	
	Amount carried on the consolidated balance sheet	Fair value	Amount carried on the consolidated balance sheet	Fair value
Listed equities exposure	—	—	—	—
Investment or equities exposure not corresponding to listed equities exposure	231,551		935	
Total	231,551		935	

Note 1: Exposures for which it is deemed extremely difficult to identify fair value without market quotations are included and therefore these are not disclosed at fair value as well as the method of calculating the fair value of financial instruments.

Note 2: Exposure amount included in funds such as investment trusts are not included. The same applies to the following.

(2) Gains and Losses on sale or write-off of investment or equity exposures

(Millions of yen)

	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Gains/Losses	—	—
Gains	—	—
Losses	—	—
Write-off	—	—

Note: Gains and losses on the sale of stock are listed in the Consolidated Statements of Income.

(3) Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income

(Millions of yen)

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income	928	—

Note: Shares with market quotations are listed.

(4) Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income

(Millions of yen)

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income	—	—

Note: Shares with market quotations of affiliated companies are listed.

9. Exposures calculated by credit risk asset supervisory formulae

Not applicable, since the standardized approach is used.

10. Interest rate risk in the banking account

Gains and losses related to interest rate shock or changes in economic value used for management purposes in the Group for managing interest rate risk in the banking account

(Billions of yen)

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Losses in economic value	793.2	1,069.1

Note 1: Interest rate shock range uses 1st and 99th percentiles for interest rate fluctuations based on a holding period of one year and an observation period of five years.

Note 2: From fiscal 2014, of liquid deposits, for those deposits that will not be withdrawn and will remain at the Bank over the long term (so-called core deposits), the Group uses an internal model for estimating outstanding balances and allocation to settlement dates and calculates interest risk volume.

Compensation, etc. Subject to Disclosure

1. Matters concerning the establishment of an organizational system for subject executives and employees of the Company (Group)

(1) Scope of subject executives and employees

The following describes the scope of "subject executives" and "subject employees" (collectively referred to as "subject executives and employees") who are subject to disclosure as persons having a significant impact on the operation of the banking business and state of assets as prescribed by the notification (Japan Financial Services Agency Notification No. 21 of March 29, 2012) for deciding matters determined separately by the Commissioner of the Financial Services Agency as an item concerning compensation based on provisions of the Ordinance for Enforcement of the Banking Act, Article 19-2, Paragraph 1-6.

1) Scope of "subject executives"

Subject executives are the Company's directors and executive officers. Outside directors are excluded.

2) Scope of "subject employees"

Among Company executives (other than subject executives) and employees as well as executives and employees of subsidiaries, those "persons receiving high amounts of compensation" and who have a significant impact on the management of business operations and the state of assets of the Company or its principal subsidiaries are deemed "subject employees" who are subject to disclosure. The executives and executive officers of Japan Post, Japan Post Bank and Japan Post Insurance (hereafter referred to as three business subsidiaries) shall be deemed "subject employees."

(a) Scope of "principal consolidated subsidiaries"

Principal consolidated subsidiaries are consolidated subsidiaries that have a significant impact on Group management. Specifically, the three business subsidiaries are in this category.

(b) Scope of "persons receiving high amounts of compensation"

"Persons receiving high amounts of compensation" are those persons receiving compensation exceeding standard amounts from the Company and its principal consolidated subsidiaries. The Company has set the Group standard amount at ¥19 million. The relevant standard amount is set based on the average basic compensation (excludes persons who assume positions or retire from positions during the term in each fiscal year) for the past three years for executives of the Company and Japan Post Bank and this serves as a common standard amount for the Group. However, because there are no large differences in compensation systems and levels for the Company's principal consolidated subsidiaries, these are also applied in common at principal consolidated subsidiaries.

Regarding the amount of lump-sum retirement benefits, an amount derived by subtracting an amount from the lump-sum retirement benefit based on number of years of service and adding this back to a lump-sum retirement benefit amount temporarily excluded from compensation shall be regarded as a person's compensation and used to determine whether a person is receiving a high amount of compensation.

(c) Scope of "persons having a significant impact on the management of the Group's business or the state of its assets"

"Persons having a significant impact on the management of the Group's business or the state of its assets" refers to persons who engage in regular business transactions and manage matters that have a considerably significant impact on the management of the Company, the Japan Post Group and its principal consolidated subsidiaries, or persons who would exert a significant impact on the state of assets by incurring losses from business transactions or other matters. Specifically, this refers to executives of principal consolidated subsidiaries or executive officers with authority to execute the business of business departments in accordance with resolutions by the Board of Directors.

(2) Determination of compensation for subject executives and employees

1) Determination of compensation for subject executives

The Company has established the Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for the Company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to decide policies for determining compensation as well as determine individual compensation.

2) Determination of compensation for subject employees

The determination of compensation for executives of principal consolidated subsidiaries who are deemed subject employees is as follows.

(a) Japan Post

Executive compensation is determined under a structure whereby the total amount of executive compensation is determined at the Shareholders' meeting.

Individual allocation of directors' compensation is determined on a resolution by the Board of Directors, according to the total amount decided at the Shareholders' meeting.

Individual allocation of compensation for auditors is determined based on consultation by the auditors.

Compensation for executive officers is determined based on a resolution by the Board of Directors.

(b) Japan Post Bank and Japan Post Insurance

Japan Post Bank and Japan Post Insurance have respectively established a Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for each company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to determine policies for determining compensation as well as determine individual compensation.

(3) Determination of compensation for staff of the Risk Management Department and Compliance Department

Compensation for staff of the Risk Management Department and Compliance Department is determined based on salary rules and regulations. Specific amounts paid are decided by determining compensation separate from the sales promotion department by setting amounts based on employee performance evaluations, with the general manager of the relevant departments as the person making final decisions.

Assessment categories of employee performance evaluations encompass assessments of the execution of duties and attainment levels for targets for each job responsibility in the Risk Management Department and Compliance Department. These assessments reflect the level of contribution to the risk management structure and compliance readiness.

(4) Total amount of compensation paid to members of the Compensation Committee and number of times the Compensation Committee and other meetings convened

Company name	Name of meeting	Number of times convened (From April 2013 to March 2014)
Japan Post Holdings	Compensation Committee	3 times
Japan Post	Shareholders' meeting	1 time
	Board of Directors (Note 1)	4 times
	Board of Corporate Auditors (Note 1)	2 times
Japan Post Bank	Compensation Committee	2 times
Japan Post Insurance	Compensation Committee	5 times

Note 1: The total amount (upper limit) of compensation for executives of Japan Post Co., Ltd. was determined at the Shareholders' meeting of the former Japan Post Network on September 3, 2012.

Note 2: The total amount of compensation is not listed because this amount cannot be calculated separating only the portion corresponding to compensation for the execution of duties of the Compensation Committee.

2. Matters concerning evaluation of the appropriateness of the design and operation of the compensation system for subject executives and employees of the Company (Group)

(1) Policies concerning compensation for "subject executives"

The Company determines compensation for the Company's directors according to job responsibilities based on the scope and size of responsibilities for management and other areas. For executive officers, the Company has designed a compensation system that considers job content as an executive officer, personal evaluations and job performance. As a specific executive compensation system, compensation for executives consists of base compensation.

Note: The retirement benefits system was discontinued in June 2013.

(2) Policies concerning compensation for "subject employees"

In determining compensation for Company employees, the Company determines compensation for directors and auditors according to job responsibilities based on the scope and size of responsibilities for management and in other areas. For executive officers and executives, the Company has designed a compensation system that considers job content as an executive officer or executive, personal evaluations and job performance. As a specific compensation system, compensation consists of base compensation.

The Company determines compensation for employees based on employee evaluations to reflect the degree of attainment of targets and job behavior. As a specific compensation system for employees, compensation is determined based on salary rules and regulations.

Note: The retirement benefits system for directors, auditors, executive officers and executives was discontinued in June 2013.

3. Matters concerning consistency between the compensation system for subject executives and employees of the Company (Group) and risk management and the link between compensation and performance

In determining compensation for subject executives, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined.

In determining compensation for subject employees, compensation for directors and auditors of Japan Post is determined based on resolutions at the Shareholders' meeting, while compensation for executive officers is determined based on resolutions by the Board of Directors. Regarding executives of Japan Post Bank and Japan Post Insurance, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined. Compensation for employees is determined based on salary rules and regulations.

Compensation for subject executives and subject employees takes into consideration the state of employee evaluations and the appropriateness of amounts paid without excessive emphasis on performance based systems.

4. Matters concerning the types of compensation for subject executives and employees of the Company (Group), total amount paid and payment method

Total amount of compensation for subject executives and employees (From April 1, 2013 to March 31, 2014)

Classification	Number of persons	Total amount of compensation (Millions of yen)			
			Base compensation	Retirement benefits	Other
Subject executives (excluding outside executives)	38	727	709	17	0
Subject employees	41	938	914	23	0

Note 1: Compensation for subject executives is listed including compensation as executives of principal consolidated subsidiaries.

Note 2: Variable compensation (including bonuses) is not applicable.

Note 3: Stock-compensation type stock options are not applicable.

Note 4: Retirement benefit amounts list the amounts for the provision of reserve for directors' retirement benefits for the subject executives and subject employees during the applicable period.

5. Other special pertinent matters for reference or other applicable matters other than those specified up to the previous item concerning the systems for compensation for subject executives and employees of the Company (Group)

None

Insurance Claims and Other Payment Abilities of Insurance Holding Companies (Consolidated Solvency Margin Ratio)

(Millions of yen)

Item		2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Total amount of consolidated solvency margin	(A)	17,348,099	18,897,175
Capital stock or funds, others		10,493,901	10,929,630
Reserve for price fluctuations		522,872	614,233
Contingency reserve		2,683,606	2,588,798
Catastrophe loss reserve		—	—
General reserves for possible loan losses		2,831	520
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)		3,317,715	4,124,263
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		18,995	15,746
Unrecognized actuarial differences and unrecognized prior service cost			265,448
Capital raised through debt financing, Excess (portion of) premium reserve		308,176	358,533
Excess (portion of) premium reserve		308,176	358,533
Capital raised through debt financing		—	—
Excluded amounts		—	—
Solvency margin concerning small-amount, short-term insurers		—	—
Deductions		—	—
Others		—	—
Total amount of consolidated risk $[\{(R_1^2+R_5^2)^{1/2}+R_8+R_9\}^2+(R_2+R_3+R_7)^2]^{1/2}+R_4+R_6$	(B)	1,922,408	2,109,228
Underwriting risk	R_1	172,955	168,426
General insurance risk	R_5	—	—
Catastrophe risk	R_6	—	—
Underwriting risk of third-sector insurance	R_8	113,161	99,913
Underwriting risk of small-amount, short-term insurers	R_9	—	—
Anticipated yield risk	R_2	218,570	198,138
Minimum guarantee risk	R_7	—	—
Investment risk	R_3	1,372,165	1,586,573
Business management risk	R_4	306,146	304,457
Consolidated solvency margin ratio (A)/{(1/2) x (B)}		1,804.8%	1,791.8%

Note: The consolidated solvency margin ratio is calculated in accordance with Articles 210-11-3 and 210-11-4 of the Ordinance for Enforcement of the Insurance Business Act and Notification No. 23 issued by the Financial Services Agency in 2011.

3. Japan Post Holdings Co., Ltd. —Non-consolidated Financial Data

The balance sheets as of March 31, 2014 and 2013 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA LLC in accordance with Article 396, Paragraph 1 of the Companies Act of Japan.

(The following are translations into English of the audited financial statements in Japanese.)

Balance Sheets

(Millions of yen)

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Assets		
Current assets		
Cash and deposits	179,049	195,114
Accounts receivable	164,507	176,642
Securities	4,800	—
Inventories	618	615
Short-term loan	300	31,620
Prepaid expenses	64	69
Others	535	857
Allowance for doubtful accounts	(9)	(10)
Total current assets	349,865	404,908
Non-current assets		
Tangible fixed assets		
Buildings: net	38,033	37,460
Structures: net	690	704
Machinery: net	627	694
Vehicles: net	117	108
Tools and fixtures: net	16,635	5,083
Land	92,381	92,249
Construction in progress	955	600
Total tangible fixed assets	149,441	136,902
Intangible fixed assets		
Software	5,641	1,590
Others	338	332
Total intangible fixed assets	5,980	1,922
Investments and other assets		
Stock of related parties	9,195,299	9,195,299
Long-term loan	10,420	—
Long-term prepaid expenses	57	84
Claims in bankruptcy	116	120
Others	106	1,011
Allowance for doubtful accounts	(116)	(120)
Total investments and other assets	9,205,883	9,196,395
Total non-current assets	9,361,305	9,335,220
Total Assets	**9,711,170**	**9,740,129**

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Liabilities		
Current liabilities		
Accounts payable	18,933	19,026
Income taxes payable	159,151	152,891
Consumption taxes payable	82	—
Accrued expenses	3,231	3,169
Reserve for employees' bonuses	1,754	1,746
Reserve for point service program	452	472
Others	1,247	1,093
Total current liabilities	184,854	178,399
Long-term liabilities		
Reserve for employees' retirement benefits	897,775	817,712
Reserve for directors' retirement benefits	149	—
Reserve for compensation for accidents in the course of duty	23,466	22,550
Others	2,080	2,081
Total long-term liabilities	923,471	842,344
Total Liabilities	**1,108,326**	**1,020,744**
Net Assets		
Shareholders' equity		
Capital stock	3,500,000	3,500,000
Capital surplus		
Capital reserve	4,503,856	4,503,856
Total capital surplus	4,503,856	4,503,856
Retained earnings		
Other retained earnings		
Retained earnings brought forward	598,987	715,528
Total retained earnings	598,987	715,528
Total shareholders' equity	8,602,843	8,719,384
Total Net Assets	**8,602,843**	**8,719,384**
Total Liabilities and Net Assets	**9,711,170**	**9,740,129**

Statements of Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Operating income		
Commissions from subsidiaries and affiliates	10,317	10,348
Dividend income from affiliated companies	105,353	131,253
Income from consigned businesses	65,092	52,541
Subsidies related to former savings accounts	27,009	22,069
Income from medical services	25,252	24,902
Income from accommodation services	32,278	31,874
Total operating income	**265,304**	**272,988**
Operating expenses		
Expenses for consigned businesses	57,258	50,426
Expenses for medical services	30,098	30,683
Expenses for accommodation services	33,693	33,725
Administrative expenses	23,047	12,150
Total operating expenses	**144,096**	**126,985**
Net operating income	**121,207**	**146,002**
Other income		
Rent income	2,733	2,599
Others	665	731
Total other income	**3,398**	**3,331**
Other expenses		
Interest expenses	11	6
Rent expenses	1,044	1,162
Others	411	327
Total other expenses	**1,466**	**1,496**
Income (expenses) from contribution to society and community funds assets		
Income from contribution to society and community funds assets	2,527	—
Expenses for contribution to society and community funds assets	0	—
Total income from contribution to society and community fund assets	**2,527**	**—**
Net ordinary income	**125,666**	**147,837**
Extraordinary gains		
Compensation income	622	443
Others	48	15
Total extraordinary gains	**670**	**459**
Extraordinary losses		
Losses on disposal of fixed assets	267	1,372
Impairment losses	2,599	9,836
Group reorganization expenses	1,028	—
Others	106	—
Total extraordinary losses	**4,002**	**11,209**
Net income before income taxes	**122,335**	**137,088**
Income taxes current	(9)	(18,001)
Income taxes deferred	(22,883)	—
Total income taxes	**(22,893)**	**(18,001)**
Net income	**145,228**	**155,090**

Statements of Changes in Net Assets

2013 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

Item	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Capital reserve	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings	
Balance at the beginning of the current fiscal year	3,500,000	4,503,856	4,503,856	431,406	431,406	8,435,262
Changes during the period						
Cash dividends				(37,851)	(37,851)	(37,851)
Net income for the period				145,228	145,228	145,228
Contribution to society and community funds				60,204	60,204	60,204
Net changes other than shareholders' equity						
Total changes during the period	—	—	—	167,581	167,581	167,581
Balance at the end of the current fiscal year	3,500,000	4,503,856	4,503,856	598,987	598,987	8,602,843

Item	Contribution to society and community funds	Valuation and translation adjustments of contribution to society and community funds	Total net assets
Balance at the beginning of the current fiscal year	60,204	1,080	8,496,547
Changes during the period			
Cash dividends			(37,851)
Net income for the period			145,228
Contribution to society and community funds			60,204
Net changes other than shareholders' equity	(60,204)	(1,080)	(61,284)
Total changes during the period	(60,204)	(1,080)	106,296
Balance at the end of the current fiscal year	—	—	8,602,843

2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

Item	Shareholders' equity						Total net asset
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity	
		Capital reserve	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance at the beginning of the current fiscal year	3,500,000	4,503,856	4,503,856	598,987	598,987	8,602,843	8,602,843
Changes during the period							
Cash dividends				(38,550)	(38,550)	(38,550)	(38,550)
Net income for the period				155,090	155,090	155,090	155,090
Contribution to society and community funds							
Net changes other than shareholders' equity							
Total changes during the period	—	—	—	116,540	116,540	116,540	116,540
Balance at the end of the current fiscal year	3,500,000	4,503,856	4,503,856	715,528	715,528	8,719,384	8,719,384

Notes to Financial Statements

Significant Accounting Policies

1. Valuation criteria and methods for securities
Shares of subsidiaries and shares of affiliates are stated at cost using the moving-average method. Equity securities included in available-for-sale securities with market quotations are stated at the average market price for the one-month period prior to the balance sheet date, and others. All other available-for-sale securities with market quotations are stated at market value on the balance sheet date (The cost of securities sold is primarily calculated using the moving-average method.). Securities without market quotations are stated at cost or amortized cost (straight-line method) using the moving-average method.
Net unrealized gains or losses on available-for-sale securities are included in net assets.

2. Valuation criteria and methods for inventories
Inventories are stated at cost using the moving-average method (writing down the book value of inventories based on decreased profitability).

3. Depreciation/amortization method for non-current assets
(1) Tangible fixed assets (excluding leased assets)
Depreciation of tangible fixed assets is computed by the straight-line method.
Useful lives for main depreciable items are as follows:
Buildings: 2-50 years
Others: 2-60 years
(2) Intangible fixed assets (excluding leased assets)
Intangible fixed assets are amortized using the straight-line method.
The useful lives are determined in accordance with the Corporation Tax Law.
The software used in-house is amortized over the prescribed useful lives (mainly 5 years).
(3) Leased assets
Finance lease transactions that do not transfer ownership are depreciated to the residual value of zero by the straight-line method during the lease term.

4. Criteria for allowances and reserves
(1) Allowance for doubtful accounts
To reserve for losses on doubtful accounts, general allowance is provided using an actual rate of losses, and also specific allowances is provided for the estimated amounts considered to be uncollectible after reviewing individual collectability of certain doubtful accounts.
(2) Reserve for employees' bonuses
To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.
(3) Reserve for point service program
In preparation for the use of points provided to customers, the Company has recorded at the end of the current fiscal year the amounts for points expected to be used in the future.
(4) Reserve for employees' retirement benefits
1) To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the end of the current fiscal year.
Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over determined years (10 years) within the average remaining service years of the employees when incurred.
2) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for the service period in and before December 1958 of those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) and retired in and after January 1959 (hereinafter referred to as "share of public service pension") are recognized as part of reserve for employees' retirement benefits.
The actuarial difference is amortized using the straight-line method over certain years (10 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.
Prior service cost is amortized as cost using the straight-line method over certain years (10 years) within the estimated average remaining payment periods for eligible personnel.
(Additional information)
Due to the enactment of the "Act for Partial Revision of the Employees' Pension Insurance Act, etc. for Unifying Employees' Pension Insurance Systems"(Act No.63 of 2012), benefits related to the public service pension period will be reduced in the future, with the enforcement date of August 1, 2013. Along with this, the Company received necessary information and calculated the amount of the impact of this revision. As a result, ¥117,175 million of prior service costs have accrued due to the reduced amount of retirement benefit liabilities. These prior service costs will be amortized as expenses using the straight-line method over certain years (10 years) within the estimated average remaining payment periods.
3) Among expenses for the mutual aid pension program of national public service personnel, charges for the expenses concerning the pension benefits for those personnel who had worked for the then Ministry of Communications and the then Ministry of Posts and Telecommunications (engaged in postal services) and retired in and before December 1958 (hereinafter referred to as "share of another public service pension") are recognized as part of reserve for employees' retirement benefits.
The actuarial difference is amortized using the straight-line method over certain years (5 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.
(5) Reserve for compensation for accidents in the course of duty
To provide for the need to pay compensation to employees (or the families of the deceased) for accidents they were involved in during their duty or during commuting, reserve for compensation for accidents in the course of duty is posted as liabilities in the current fiscal year.
Actuarial differences are to be charged to expenses from the following fiscal year using the straight-line method over determined years (15 years) within the average remaining service years of the employees when incurred.

5. Principal matters serving as the basis for preparing financial statements
(1) Accounting for consumption taxes
All figures are net of consumption taxes.
(2) Adoption of the consolidated tax payment system
The Company employs the consolidated tax payment system, with Japan Post Holdings Co., Ltd. as the parent company.
(3) Accounting for retirement benefits
The accounting methods for unamortized amounts of unrecognized actuarial differences and unrecognized prior service costs for retirement benefits differ from the accounting methods used for these on the consolidated financial statements.

Changes in Presentation

(Concerning the Balance Sheets)
Because of a decrease in its monetary importance, Reserve for loss on natural disaster, which was listed separately under Current liabilities in the previous fiscal year, is presented within Others in the amount of ¥246 million in the current fiscal year.

Notes to Balance Sheets

1. Assets pledged as collateral:
   Investment and other assets ¥45 million
   Other assets (government bonds) are deposited in the Legal Affairs Bureau as business security deposits under Building Lots and Buildings Transaction Business Law.
2. Reduction entry amount for tangible fixed assets: ¥17,070 million
3. Monetary claims against and monetary obligations to affiliated companies

Short-term monetary claims:	¥395,506 million
Long-term monetary claims:	¥878 million
Short-term monetary obligations:	¥9,045 million

Notes to Statements of Income

1. The following shows operating transactions and other transactions with affiliates.

Operating transactions	
Operating income:	¥216,078 million
Operating expenses:	¥16,054 million
Amount of transactions other than operational:	¥2,813 million

Subsequent Events

(Reduction in capital reserves)
At a meeting of the Board of Directors on May 21, 2014, the Board passed a resolution to submit a bill for reducing capital reserves at the shareholders' meeting convened on June 25, 2014, and this bill was approved at the meeting.

(1) Purpose
Capital reserves will be reduced in preparation for carrying out flexible capital policies in the future as well as assuring resiliency in terms of financial strategy.

(2) Main points of capital reserves reduction
In accordance with Article 448, Paragraph 1 of the Companies Act, capital reserves shall be transferred to other capital surplus.
1) Amount of capital reserves reduction
The amount of the capital reserves reduction shall be ¥3,628,856,095,788 from total capital reserves of ¥4,503,856,095,788.
2) Categories of surplus capital that will increase and amounts
Other capital surplus ¥3,628,856,095,788

(3) Effective date of capital reserves reduction
December 1, 2014 (planned)

4. Japan Post Co., Ltd. —Non-consolidated Financial Data

The balance sheets as of March 31, 2014 and 2013 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA LLC in accordance with Article 396, Paragraph 1 of the Companies Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)
As prescribed by the "Act for Partial Revision of the Postal Service Privatization Act and others," on October 1, 2012, Japan Post Network Co., Ltd. merged with Japan Post Service Co., Ltd. and Japan Post Co., Ltd. inaugurated operations. Under the provisions of "Act for Partial Revision of the Postal Service Privatization Act and others," because the original Japan Post Network is the surviving company, for the fiscal year ended March 2013, the settlement figures for the original Japan Post Service from October 2012 onward are added to the settlement figures of the original Japan Post Network.
For details on figures in each business segment for the original companies refer to Reference on page 163.

Balance Sheets

(Millions of yen)

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Assets		
Current assets		
Cash and deposits	1,991,839	1,970,574
Accounts receivable—trade	213,771	226,261
Securities	131,000	150,000
Inventories	10,606	11,785
Prepaid expenses	2,159	1,942
Accounts receivable	3,866	6,512
Banking business consignment receivable	32,468	45,558
Insurance business consignment receivable	—	1,784
Others	25,437	28,950
Allowance for doubtful accounts	(1,435)	(199)
Total current assets	2,409,713	2,443,169
Non-current assets		
Tangible fixed assets		
Buildings: net	921,559	881,871
Structures: net	25,060	24,638
Machinery: net	19,827	19,046
Automobiles and other vehicles: net	8,756	7,895
Tools and fixtures: net	31,527	28,817
Land	1,244,380	1,236,664
Construction in progress	14,507	24,933
Total tangible fixed assets	2,265,618	2,223,867
Intangible fixed assets		
Leaseholds	1,659	1,666
Air rights	14,077	14,077
Software	31,095	35,368
Others	19,926	9,220
Total intangible fixed assets	66,758	60,333
Investments and other assets		
Investment securities	14,695	14,757
Stock of related parties	38,957	38,957
Investments in capital of subsidiaries and associates	—	801
Claims in bankruptcy	2,906	2,789
Long-term prepaid expenses	7,622	10,036
Others	3,142	9,842
Allowance for doubtful accounts	(2,906)	(2,789)
Total investments and other assets	64,417	74,393
Total non-current assets	2,396,795	2,358,595
Total Assets	**4,806,509**	**4,801,764**

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Liabilities		
Current liabilities		
Accounts payable—trade	40,511	51,844
Accounts payable—other	251,233	368,446
Insurance business consignment payable	10,312	—
Accrued expenses	30,086	31,013
Income taxes payable	3,951	5,409
Consumption taxes payable	24,722	21,660
Advance postal fees received	40,270	40,656
Deposits received	312,666	312,838
Fund deposits for post offices	1,280,000	1,160,000
Reserve for employees' bonuses	84,424	82,003
Reserve for loss on rebuilding of branches	431	309
Others	3,798	6,808
Total current liabilities	2,082,410	2,080,989
Long-term liabilities		
Reserve for employees' retirement benefits	2,157,310	2,127,992
Reserve for directors' retirement benefits	265	—
Reserve for loss on rebuilding of branches	198	198
Deferred tax liabilities	100	661
Others	23,148	30,949
Total long-term liabilities	2,181,022	2,159,802
Total Liabilities	**4,263,433**	**4,240,791**
Net Assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus		
Capital reserve	100,000	100,000
Other capital surplus	200,000	200,000
Total capital surplus	300,000	300,000
Retained earnings		
Other retained earnings		
Reserve for special depreciation	41	1,112
Reserve for deferred gains on fixed assets	138	82
Retained earnings brought forward	142,896	159,778
Total retained earnings	143,076	160,972
Total shareholders' equity	543,076	560,972
Total Net Assets	**543,076**	**560,972**
Total Liabilities and Net Assets	**4,806,509**	**4,801,764**

Statements of Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Operating income		
Postal service business income	960,317	1,766,667
Commissions for postal service business consignment	81,574	—
Commissions for banking business consignment	609,578	607,266
Commissions for insurance business consignment	378,507	367,106
Other operating income	24,145	32,918
Total operating income	**2,054,124**	**2,773,958**
Operating expenses	1,810,056	2,537,831
Gross operating income	**244,068**	**236,127**
Sales, general and administrative costs	152,848	189,127
Net operating income	**91,219**	**46,999**
Other income		
Rent income	17,384	11,673
Others	4,753	6,775
Total other income	**22,138**	**18,449**
Other expenses		
Rent expenses	10,858	6,889
Environmental expenses	487	3,944
Others	1,713	2,082
Total other expenses	**13,058**	**12,916**
Net ordinary income	**100,299**	**52,532**
Extraordinary gains		
Gain on sales of fixed assets	166	247
Compensation for transfer	436	495
Compensation income	—	488
Others	0	—
Total extraordinary gains	**603**	**1,231**
Extraordinary losses		
Losses on sales of fixed assets	4	3
Losses on disposal of fixed assets	1,151	2,957
Impairment losses	1,018	3,390
Merger expenses	1,668	—
Loss from cancellation of system contracts	—	2,043
Loss from construction work on aging facilities	—	1,011
Others	93	1,513
Total extraordinary losses	**3,936**	**10,921**
Net income before income taxes	**96,966**	**42,842**
Income taxes current	13,923	9,370
Income taxes deferred	30	561
Total income taxes	**13,953**	**9,931**
Net income	**83,012**	**32,911**

Statements of Changes in Net Assets

2013 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

Item	Shareholders' equity			
	Capital stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance at the beginning of the current fiscal year	100,000	100,000	—	100,000
Changes during the period				
Increase (decrease) by merger			200,000	200,000
Cash dividends				
Net income				
Reversal of reserve for special depreciation				
Provision of reserve for special depreciation				
Provision of reserve for deferred gains on fixed assets				
Total changes during the period	—	—	200,000	200,000
Balance at the end of the current fiscal year	100,000	100,000	200,000	300,000

Item	Shareholders' equity					Total net assets
	Retained earnings				Total shareholders' equity	
	Other retained earnings			Total retained earnings		
	Reserve for special depreciation	Reserve for deferred gains on fixed assets	Retained earnings brought forward			
Balance at the beginning of the current fiscal year	29	95	100,575	100,700	300,700	300,700
Changes during the period						
Increase (decrease) by merger			(35,929)	(35,929)	164,070	164,070
Cash dividends			(4,706)	(4,706)	(4,706)	(4,706)
Net income			83,012	83,012	83,012	83,012
Reversal of reserve for special depreciation	(4)		4	—	—	—
Provision of reserve for special depreciation	16		(16)	—	—	—
Provision of reserve for deferred gains on fixed assets		42	(42)	—	—	—
Total changes during the period	11	42	42,321	42,376	242,376	242,376
Balance at the end of the current fiscal year	41	138	142,896	143,076	543,076	543,076

2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

Item	Shareholders' equity			
	Capital stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance at the beginning of the current fiscal year	100,000	100,000	200,000	300,000
Changes during the period				
Cash dividends				
Net income				
Reversal of reserve for special depreciation				
Provision of reserve for special depreciation				
Reversal of reserve for deferred gains on fixed assets				
Total changes during the period	—	—	—	—
Balance at the end of the current fiscal year	100,000	100,000	200,000	300,000

Item	Shareholders' equity					Total net assets
	Retained earnings				Total shareholders' equity	
	Other retained earnings			Total retained earnings		
	Reserve for special depreciation	Reserve for deferred gains on fixed assets	Retained earnings brought forward			
Balance at the beginning of the current fiscal year	41	138	142,896	143,076	543,076	543,076
Changes during the period						
Cash dividends			(15,015)	(15,015)	(15,015)	(15,015)
Net income			32,911	32,911	32,911	32,911
Reversal of reserve for special depreciation	(6)		6	—	—	—
Provision of reserve for special depreciation	1,078		(1,078)	—	—	—
Reversal of reserve for deferred gains on fixed assets		(56)	56	—	—	—
Total changes during the period	1,071	(56)	16,881	17,896	17,896	17,896
Balance at the end of the current fiscal year	1,112	82	159,778	160,972	560,972	560,972

Notes to Financial Statements

Significant Accounting Policies

1. Valuation criteria and methods for securities
Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving-average method. Shares of subsidiaries and affiliates are stated at cost using the moving-average method. Equity securities included in available-for-sale securities with market quotations are stated at the average market price for the one-month period prior to the balance sheet date, and others. All other available-for-sale securities with market quotations are stated at market value on the balance sheet date. (The cost of securities sold is calculated using the moving-average method.) Securities without market quotations are stated at cost or amortized cost (straight-line method) using the moving-average method.
Net unrealized gains or losses on available-for-sale securities are included in net assets.

2. Valuation criteria and methods for inventories
(1) Real estate for sale in progress (Real estate under development)
Real estate for sale in progress is recognized at cost based on the specific cost method (writing down the book value of inventories based on decreased profitability).
(2) Other inventories
Other inventories are recognized at cost based on the moving-average method (writing down the book value of inventories based on decreased profitability).

3. Depreciation/amortization method for non-current assets
(1) Tangible fixed assets (excluding leased assets)
Tangible fixed assets are amortized using the straight-line method.
Useful lives for main depreciable items are as follows:
Buildings: 2-50 years
Others: 2-75 years
(2) Intangible fixed assets (excluding leased assets)
Intangible fixed assets are amortized using the straight-line method.
The software used in-house is amortized over the prescribed useful lives (mainly 5 years).
(3) Leased assets
Finance lease transactions that do not transfer ownership are depreciated to the residual value of zero by the straight-line method during the lease term.
(4) Long-term prepaid expenses
Long-term prepaid expenses are amortized using the straight-line method.

4. Criteria for allowances and reserves
(1) Allowance for doubtful accounts
General allowance is provided using a rate determined by past bad debt experience and also specific allowance is provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.
(2) Reserve for employees' bonuses
To provide for payment of bonuses to employees, reserve for employees' bonuses is recorded in an amount expected to be paid.
(3) Reserve for employees' retirement benefits
To provide for employee retirement benefits, reserve for employees' retirement benefits is recorded based on the projected retirement benefit obligation at the end of the current fiscal year. The accounting methods for reserve for employees' retirement benefits and retirement benefit expenses are as follows.
1) Method for period attribution of projected retirement benefit obligation
In calculating employees' retirement benefit obligation, straight-line basis is used for attributing projected retirement benefit amounts to the period up to the end of current fiscal year.
2) Method for amortization of prior service cost and actuarial differences
Prior service cost
Prior service cost is amortized using the straight-line method over certain years (14 years) within the estimated average remaining service lives for employees in the fiscal year the difference is incurred.
Actuarial differences
The cost of actuarial difference is amortized in a proportional amount using the straight-line method over certain years (13-14 years) within the estimated average remaining service lives for employees from the fiscal year following the respective fiscal year in which the difference is recognized.
(4) Reserve for loss on rebuilding of branches (post offices)
To provide for losses incurred in rebuilding branches (post offices) as part of the real estate development business, the Company records the amount of expected losses as of the end of the fiscal year. Specifically, reserve for loss on rebuilding of branches is recorded based on expected losses at the end of the fiscal year. The losses are mainly composed of those of existing buildings and expected removal.

5. Translation of foreign-currency-denominated assets and liabilities into Japanese yen
Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end.

6. Principal matters serving as the basis for preparing financial statements
(1) Consumption taxes
All figures are net of consumption taxes.
(2) Consolidated tax payment system
The consolidated tax payment system is employed, with Japan Post Holdings Co., Ltd. as the parent company.

Changes in Presentation

(Concerning the Statements of Income)
Because of an increase in monetary importance, Environmental expenses, which was included in Others within Other expenses in the previous fiscal year, is presented separately from the current fiscal year. To reflect this change in presentation method, the company has restated its Financial Statements for the previous fiscal year. As a result, on the Statements of Income for the previous fiscal year, ¥2,200 million listed as Others has been restated as ¥487 million in Environmental expenses and ¥1,713 million as Others.

Notes to Balance Sheets

1. Breakdown of inventories

Real estate for sale in progress	¥4,030 million
Merchandise	¥3,336 million
Supplies	¥4,417 million

2. Accumulated depreciation of tangible fixed assets: ¥584,283 million

3. Reduction entry amount for tangible fixed assets: ¥45,144 million

4. Receivables and payables involving related parties

Short-term monetary claims:	¥3,278 million
Short-term monetary obligations:	¥17,105 million

5. Assets pledged as collateral
The following is pledged as collateral for performing services as the Bank of Japan revenue sub-agents
Investments and other assets
Investment securities: ¥14,757 million
Assets pledged as collateral based on the laws concerning Financial Settlements
Investments and other assets
Others: ¥129 million

6. Contingent liabilities
Some of the lease contracts for the precincts of post offices state that the lesser retains the right to call for compensation if Japan Post Co., Ltd. cancels all or part of the lease contracts. The amount of such cancellation compensation is to be calculated based on the remaining portion of the initial investment that has not been recovered as of the cancellation date. As of March 31, 2014 the potential cancellation claims were ¥113,858 million.
Even in the event of a cancellation by the company, the amount of compensation is reduced if the buildings are used for other purposes and thus the compensation does not cover the entire remaining portion of the initial investment.

Notes to Statements of Income

Operating transactions with related parties

Operating income	¥19,793 million
Operating expenses	¥134,242 million
Transactions other than operational (received)	¥2,464 million
Transactions other than operational (paid)	¥69 million

Notes to Statements of Changes in Net Assets

1. Information concerning type and number of outstanding shares

(Thousands of shares)

	April 1, 2013	Increase	Decrease	March 31, 2014	Remarks
Outstanding shares					
Common shares	4,000	—	—	4,000	

2. Information concerning dividends
Cash dividends (paid) of the current fiscal year

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Regular share-holders meeting on June 28, 2013	Common shares	15,015	3,753.87	March 31, 2013	June 28, 2013

Notes to Retirement Benefits

(From April 1, 2013 to March 31, 2014)

1. Summary of retirement benefit scheme
Japan Post Co., Ltd. has a defined-benefit plan in the form of a lump-sum payment plan in accordance with the company's regulations on retirement benefits.

2. Defined-benefit plan
(1) Reconciliation statement for beginning balance to year-end balance of retirement benefit obligation

Beginning balance of retirement benefit obligation	¥2,063,331 million
Service cost	¥99,062 million
Interest cost	¥35,062 million
Actuarial differences incurred	(¥14,090 million)
Retirement benefit paid	(¥154,527 million)
Others	(¥676 million)
Year-end balance of retirement benefit obligation	¥2,028,161 million

(2) Reconciliation statement for year-end balance of retirement benefit obligation to reserve for employees' retirement benefits recorded on the balance sheets

Non-accumulation-type retirement benefit obligation	¥2,028,161 million
Unrecognized actuarial differences	¥100,366 million
Unrecognized prior service cost	(¥535 million)
Net amount of liabilities and assets recorded on the balance sheets	¥2,127,992 million
Reserve for employees' retirement benefits	¥2,127,992 million
Net amount of liabilities and assets recorded on the balance sheets	¥2,127,992 million

(3) The amount of retirement benefit expenses and subitems

Service cost	¥99,062 million
Interest cost	¥35,062 million
Amortization of actuarial differences	(¥8,305 million)
Amortization of prior service cost	¥67 million
Others	(¥215 million)
Retirement benefit expenses pertaining to the defined-benefit plan	¥125,671 million

(4) Matters concerning basis of actuarial calculations
Basis for principal actuarial calculations at the end of the current fiscal year
Discount rate 1.7%

Significant Subsequent Events

None

Reference

1. A breakdown of operating expenses and sales, general and administrative costs

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Operating expenses		
Personnel expenses	1,931,045	1,952,458
Salaries and allowances	1,362,574	1,365,847
Bonuses	149,345	160,751
Amount deferred for reserve for employees' bonuses	79,879	77,426
Retirement benefit expenses	125,523	119,198
Legal welfare expenses	213,723	229,234
Expenses	556,435	585,372
Charges for facilities	68,367	64,861
Depreciation expenses	62,388	71,287
Taxes and dues	21,972	20,374
Collection, delivery and transport outsourcing expenses	191,241	201,525
Others	212,465	227,322
Total operating expenses	2,487,480	2,537,831
Sales, general and administrative costs		
Personnel expenses	89,036	88,874
Salaries and allowances	59,489	58,647
Bonuses	8,256	9,036
Amount deferred for reserve for employees' bonuses	4,545	4,576
Retirement benefit expenses	6,815	6,472
Amount deferred for reserve for directors' retirement benefits	86	20
Legal welfare expenses	9,842	10,120
Expenses	106,271	100,253
Charges for fees and commissions	30,676	27,892
Subcontractor expenses	9,564	10,790
Depreciation expenses	21,786	20,076
Taxes and dues	10,868	10,139
Advertising expenses	10,069	10,772
Others	23,306	20,581
Total sales, general and administrative costs	195,308	189,127

Note: The previous fiscal year includes the financial results figures for Japan Post Service Co., Ltd. for the period prior to the merger (April – September 2012) and presents the amount after the elimination of intersegment transactions.

2. A breakdown of statements of income, operating expenses and sales, general and administrative costs for the company's each business segment are as follows.

(1) Postal service business segment

Note: The previous fiscal year includes the financial results figures for Japan Post Service Co., Ltd. for the period prior to the merger (April – September 2012).

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Operating income		
Postal service business income	1,753,326	1,776,475
Other operating income	1,099	1,160
Total operating income	1,754,426	1,777,635
Operating expenses	1,634,876	1,687,546
Gross operating income	119,549	90,088
Sales, general and administrative costs	82,143	80,634
Net operating income	37,405	9,454

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Operating expenses		
Personnel expenses	1,080,178	1,104,605
Salaries and allowances	784,675	797,269
Bonuses	76,609	81,560
Amount deferred for reserve for employees' bonuses	40,740	39,030
Retirement benefit expenses	57,334	56,780
Legal welfare expenses	120,818	129,964
Expenses	554,698	582,940
Charges for facilities	14,303	12,242
Depreciation expenses	41,550	47,499
Taxes and dues	10,140	10,304
Collection, delivery and transport outsourcing expenses	191,241	201,525
Postal service business consignment expenses	175,675	176,291
Others	121,786	135,077
Total operating expenses	1,634,876	1,687,546
Sales, general and administrative costs		
Personnel expenses	34,697	36,655
Salaries and allowances	23,143	24,412
Bonuses	3,204	3,691
Amount deferred for reserve for employees' bonuses	1,813	1,821
Retirement benefit expenses	2,612	2,595
Amount deferred for reserve for directors' retirement benefits	51	10
Legal welfare expenses	3,872	4,122
Expenses	47,446	43,978
Charges for fees and commissions	15,034	14,295
Subcontractor expenses	2,602	3,183
Depreciation expenses	11,507	8,751
Taxes and dues	4,312	4,129
Advertising expenses	4,304	5,482
Others	9,685	8,136
Total sales, general and administrative costs	82,143	80,634

(2) Post office business segment

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Operating income		
Commissions for postal service business consignment	175,691	176,307
Commissions for banking business consignment	609,578	607,266
Commissions for insurance business consignment	378,507	367,106
Other operating income	24,159	32,848
Total operating income	1,187,938	1,183,528
Operating expenses	1,053,218	1,043,753
Gross operating income	134,719	139,775
Sales, general and administrative costs	107,502	102,229
Net operating income	27,216	37,545

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Operating expenses		
Personnel expenses	850,867	847,852
Salaries and allowances	577,898	568,577
Bonuses	72,735	79,191
Amount deferred for reserve for employees' bonuses	39,138	38,395
Retirement benefit expenses	68,188	62,417
Legal welfare expenses	92,905	99,270
Expenses	202,351	195,900
Charges for facilities	75,196	70,337
Depreciation expenses	15,722	18,227
Taxes and dues	10,879	9,065
Others	100,553	98,270
Total operating expenses	1,053,218	1,043,753
Sales, general and administrative costs		
Personnel expenses	54,318	52,197
Salaries and allowances	36,325	34,213
Bonuses	5,052	5,344
Amount deferred for reserve for employees' bonuses	2,732	2,754
Retirement benefit expenses	4,203	3,877
Amount deferred for reserve for directors' retirement benefits	35	9
Legal welfare expenses	5,970	5,997
Expenses	53,183	50,032
Charges for fees and commissions	15,837	13,580
Subcontractor expenses	6,352	6,479
Depreciation expenses	7,693	8,590
Taxes and dues	5,738	5,156
Advertising expenses	5,764	5,290
Others	11,797	10,935
Total sales, general and administrative costs	107,502	102,229

5. Japan Post Bank Co., Ltd. —Non-consolidated Financial Data

The balance sheets as of March 31, 2013 and 2014, the statements of income, the statements of changes in net assets, and the statements of cash flows for the years ended March 31, 2013 and 2014 (“non-consolidated financial statements”) were audited by KPMG AZSA LLC in accordance with auditing standards generally accepted in Japan.

Non-Consolidated Balance Sheets

(Millions of yen)

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Assets:		
Cash and due from banks (Notes 17 and 20):	9,195,940	19,463,622
Cash	123,843	119,698
Due from banks	9,072,096	19,343,923
Call loans (Note 20)	1,837,733	1,843,569
Receivables under securities borrowing transactions (Note 20)	8,141,533	7,212,769
Monetary claims bought (Note 20)	58,835	62,272
Trading account securities (Notes 20 and 21):	247	278
Trading Japanese government bonds	247	278
Money held in trust (Notes 20 and 21)	3,038,863	2,919,003
Securities (Notes 8, 19, 20, 21 and 22):	171,596,578	166,057,886
Japanese Government Bonds	138,198,732	126,391,090
Japanese local government bonds	5,806,099	5,550,379
Japanese corporate bonds	11,852,985	11,384,142
Other securities	15,738,761	22,732,273
Loans (Notes 20 and 23):	3,967,999	3,076,325
Loans on deeds	3,732,809	2,830,118
Overdrafts	235,189	246,206
Foreign exchanges (Note 3)	3,051	30,659
Other assets (Notes 4, 8 and 20)	1,636,605	1,529,309
Tangible fixed assets (Note 5)	154,882	144,588
Intangible fixed assets (Note 6)	64,592	58,725
Customers’ liabilities for acceptances and guarantees (Note 7)	145,000	115,000
Reserve for possible loan losses (Note 20)	(1,182)	(1,127)
Total assets	199,840,681	202,512,882

	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Liabilities:		
Deposits (Notes 8, 9 and 20)	176,096,136	176,612,780
Payables under securities lending transactions (Notes 8 and 20)	9,443,239	10,667,591
Foreign exchanges (Note 3)	272	249
Other liabilities (Note 10)	2,145,910	2,511,110
Reserve for employees’ bonuses	5,609	5,566
Reserve for employees’ retirement benefits (Note 24)	136,247	136,848
Reserve for directors’ retirement benefits	198	—
Deferred tax liabilities (Note 25)	870,509	999,212
Acceptances and guarantees (Notes 7 and 8)	145,000	115,000
Total liabilities	188,843,123	191,048,358
Contingent liabilities (Note 11)		
Net assets (Note 16):		
Common stock	3,500,000	3,500,000
Capital surplus	4,296,285	4,296,285
Retained earnings	1,440,830	1,702,007
Total shareholders’ equity	9,237,115	9,498,293
Net unrealized gains (losses) on available-for-sale securities (Note 21)	2,137,265	2,563,134
Deferred gains (losses) on hedges	(376,823)	(596,903)
Total valuation and translation adjustments	1,760,442	1,966,231
Total net assets	10,997,558	11,464,524
Total liabilities and net assets	199,840,681	202,512,882

See notes to financial statements.

Non-Consolidated Statements of Income

(Millions of yen)

	2013 (For the year ended March 31, 2013)	2014 (For the year ended March 31, 2014)
Revenues:		
Interest income:	1,876,142	1,827,610
Interest on loans	43,712	37,954
Interest and dividends on securities	1,816,271	1,768,384
Interest on call loans	3,049	3,473
Interest on receivables under securities borrowing transactions	6,409	8,076
Interest on deposits with banks	5,976	9,031
Other interest income	724	688
Fees and commissions:	114,801	121,116
Fees and commissions on domestic and foreign exchanges	63,701	64,156
Other fees and commissions	51,100	56,960
Other operating income (Note 12)	47,524	20,487
Other income (Note 13)	87,419	107,183
Total revenues	2,125,888	2,076,397
Expenses:		
Interest expenses:	349,831	361,747
Interest on deposits	271,837	255,035
Interest on payables under securities lending transactions	11,623	13,053
Interest on borrowings	0	0
Interest on interest rate swaps	65,793	92,906
Other interest expenses	577	751
Fees and commissions:	26,675	28,426
Fees and commissions on domestic and foreign exchanges	2,645	2,963
Other fees and commissions	24,029	25,462
Other operating expenses (Note 14)	43,473	14,731
General and administrative expenses	1,110,767	1,095,016
Other expenses (Note 15)	3,588	12,010
Total expenses	1,534,335	1,511,930
Income before income taxes	591,552	564,467
Income taxes (Note 25):		
Current	227,940	187,855
Deferred	(10,335)	21,946
Total income taxes	217,604	209,802
Net income	373,948	354,664

(Yen)

	2013 (For the year ended March 31, 2013)	2014 (For the year ended March 31, 2014)
Net income per share (Note 29)	2,492.98	2,364.43

See notes to financial statements.

Non-Consolidated Statements of Changes in Net Assets

2013 (For the year ended March 31, 2013) (Millions of yen)

	Shareholders' Equity			
		Capital surplus	Retained earnings	
			Other retained earnings	
	Common stock	Legal capital surplus	Retained earnings brought forward	Total shareholders' equity
Balance at the beginning of the fiscal year	3,500,000	4,296,285	1,150,595	8,946,881
Changes during the fiscal year				
Cash dividends			(83,713)	(83,713)
Net income			373,948	373,948
Net changes in items other than shareholders' equity				
Total changes during the fiscal year	—	—	290,234	290,234
Balance at the end of the fiscal year	3,500,000	4,296,285	1,440,830	9,237,115

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	941,871	(70,589)	871,281	9,818,162
Changes during the fiscal year				
Cash dividends				(83,713)
Net income				373,948
Net changes in items other than shareholders' equity	1,195,394	(306,233)	889,161	889,161
Total changes during the fiscal year	1,195,394	(306,233)	889,161	1,179,395
Balance at the end of the fiscal year	2,137,265	(376,823)	1,760,442	10,997,558

2014 (For the year ended March 31, 2014) (Millions of yen)

	Shareholders' Equity			
		Capital surplus	Retained earnings	
			Other retained earnings	
	Common stock	Legal capital surplus	Retained earnings brought forward	Total shareholders' equity
Balance at the beginning of the fiscal year	3,500,000	4,296,285	1,440,830	9,237,115
Changes during the fiscal year				
Cash dividends			(93,487)	(93,487)
Net income			354,664	354,664
Net changes in items other than shareholders' equity				
Total changes during the fiscal year	—	—	261,177	261,177
Balance at the end of the fiscal year	3,500,000	4,296,285	1,702,007	9,498,293

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	2,137,265	(376,823)	1,760,442	10,997,558
Changes during the fiscal year				
Cash dividends				(93,487)
Net income				354,664
Net changes in items other than shareholders' equity	425,869	(220,080)	205,788	205,788
Total changes during the fiscal year	425,869	(220,080)	205,788	466,966
Balance at the end of the fiscal year	2,563,134	(596,903)	1,966,231	11,464,524

Non-Consolidated Statements of Cash Flows

(Millions of yen)

	2013 (For the year ended March 31, 2013)	2014 (For the year ended March 31, 2014)
Cash flows from operating activities:		
Income before income taxes	591,552	564,467
Adjustments for:		
Depreciation and amortization	25,812	33,480
Losses on impairment of fixed assets	606	65
Net change in reserve for possible loan losses	(27)	(54)
Net change in reserve for employees' bonuses	424	(43)
Net change in reserve for employees' retirement benefits	265	600
Net change in reserve for directors' retirement benefits	27	(198)
Interest income	(1,876,142)	(1,827,610)
Interest expenses	349,831	361,747
Losses (gains) related to securities—net	(44,166)	(4,275)
Losses (gains) on money held in trust—net	(84,389)	(103,856)
Foreign exchange losses (gains)—net	(97,934)	(279,812)
Losses on sales and disposals of fixed assets—net	874	562
Net change in loans	165,141	890,310
Net change in deposits	460,766	516,644
Net change in negotiable certificates of deposit	(50,000)	20,000
Net change in call loans, etc.	(595,419)	(9,577)
Net change in receivables under securities borrowing transactions	(2,362,705)	928,763
Net change in payables under securities lending transactions	1,141,147	1,224,351
Net change in foreign exchange assets	(421)	(27,608)
Net change in foreign exchange liabilities	119	(23)
Interest received	2,064,065	2,012,796
Interest paid	(172,694)	(206,278)
Other—net	196,648	85,524
Subtotal	(286,616)	4,179,978
Income taxes paid	(242,592)	(205,923)
Net cash provided by (used in) operating activities	(529,209)	3,974,054
Cash flows from investing activities:		
Purchases of securities	(79,956,927)	(35,006,121)
Proceeds from sales of securities	3,117,463	1,851,186
Proceeds from maturity of securities	83,767,734	39,196,659
Investment in money held in trust	(741,790)	(169,900)
Proceeds from disposition of money held in trust	860,899	551,125
Purchases of tangible fixed assets	(10,446)	(7,773)
Purchases of intangible fixed assets	(22,988)	(8,640)
Other—net	(400)	(77)
Net cash provided by investing activities	7,013,544	6,406,457
Cash flows from financing activities:		
Cash dividends paid	(83,713)	(93,487)
Net cash used in financing activities	(83,713)	(93,487)
Effect of exchange rate changes on cash and cash equivalents	687	658
Net change in cash and cash equivalents	6,401,309	10,287,682
Cash and cash equivalents at the beginning of the fiscal year	2,159,630	8,560,940
Cash and cash equivalents at the end of the fiscal year (Note 17)	8,560,940	18,848,622

See notes to financial statements.

Notes to Non-Consolidated Financial Statements

Years ended March 31, 2013 and 2014

1. Basis of Presenting Financial Statements

JAPAN POST BANK Co., Ltd. (the "Bank") became a private bank under the Banking Act of Japan (the "Banking Act"), as a wholly owned subsidiary of JAPAN POST HOLDINGS Co., Ltd., following its privatization on October 1, 2007 in accordance with the Postal Service Privatization Act.

The Bank has no subsidiaries to be consolidated.

The accompanying financial statements have been prepared in accordance with the provisions set forth in a) the Japanese Financial Instruments and Exchange Act and its related accounting regulations and b) the Ordinance for Enforcement of the Banking Act (1982 Finance Ministry Order No. 10), and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

In conformity with the Japanese Financial Instruments and Exchange Act and its related accounting regulations, all Japanese yen figures in the financial statements have been rounded down to the nearest million yen amount, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

2. Summary of Accounting Policies

a. Trading Account Securities, Securities and Money Held in Trust—Securities are classified into four categories, based principally on the Bank's intent, as follows:

(1) Trading account securities are reported at fair value;

(2) Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost (straight-line method) determined by the moving-average method;

(3) Investments in affiliates are reported at cost determined by the moving-average method; and

(4) Available-for-sale securities that are not classified as either of the aforementioned securities are primarily carried at the fiscal year-end market prices (cost of securities sold is calculated using primarily the moving-average method). Net unrealized gains and losses including foreign exchange fluctuations, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations, net of applicable income taxes, are reported in a separate component of net assets.

Securities invested in money held in trust are stated at fair value. The balance sheet amounts as of March 31, 2013 and 2014 are stated respectively at the average market price of the final month (March) of the fiscal years ended March 31, 2013 and 2014 for equity securities and at the market price on the balance sheet date for other securities (the costs of other securities sold are determined primarily based on the moving-average method). Unrealized gains and losses on these securities, net of applicable income taxes, are reported in a separate component of net assets.

b. Tangible Fixed Assets—Depreciation of tangible fixed assets is computed by the straight-line method. The range of useful lives is principally from 3 to 50 years for buildings and from 2 to 75 years for others.

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

Depreciation of tangible fixed assets, except for buildings (excluding building attachments), had been computed by the declining-balance method, but effective from the beginning of the fiscal year ended March 31, 2013, the straight-line method has been applied.

This change is aiming to unify the Group's accounting policy as JAPAN POST HOLDINGS Co., Ltd., which is the parent company, changes their depreciation method into the straight-line method, as well as to allocate depreciation costs equally over years in order to match revenue and expense, reflecting the utilization and economic benefits of those equipments.

The effect of this change on the statement of income for the fiscal year ended March 31, 2013 was immaterial.

c. Intangible Fixed Assets—The amortization of intangible fixed assets is computed by the straight-line method. Capitalized cost of computer software developed and obtained for internal use is amortized over the estimated useful life (mainly 5 years).

d. Reserve for Possible Loan Losses—The reserve for possible loan losses is provided for in accordance with the prescribed standards for write-offs and reserves as described below:

Loans to normal borrowers and borrowers requiring caution, as provided by "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public Accountants (JICPA), Special Committee for Audits of Banks, etc., Report No. 4), are classified into certain groups, and a reserve is provided for each group based on the estimated rate of loan losses.

For loans to doubtful borrowers, a reserve is provided in the amount of loans, net of amounts expected to be collected through disposition of collateral or through execution of guarantees, and considered to be necessary based on a solvency assessment. For loans to bankrupt or substantially bankrupt borrowers, a reserve is provided based on the amount of loans, net of amounts expected to be collected through disposition of collateral or to be recoverable under guarantees.

All loans are assessed initially by the marketing and other departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the marketing and other departments, reviews these self-assessments.

e. Reserve for Employees' Bonuses—The reserve for employees' bonuses is provided for the estimated amount of employees' bonuses attributable to the fiscal year.

f. Reserve for Employees' Retirement Benefits—The reserve for employees' retirement benefits, which is provided for future payments to employees, is recorded in the amount deemed accrued based on the projected benefit obligation at the end of the fiscal year ended March 31, 2014. The method of attributing projected benefit obligation to periods ending on or before March 31, 2014 is the straight-line attribution method.

Actuarial gains and losses are recognized in income or expenses using the straight-line method over the average expected remaining service years (10 years) from the following year after they are incurred.

g. Foreign Currency Transactions—Foreign currency denominated assets and liabilities on the balance sheet date are translated into Japanese yen principally at the exchange rates in effect on the balance sheet date.

h. Derivatives and Hedging Activities—Derivatives are stated at fair value.

Hedging against interest rate risks:

The Bank uses interest rate swaps to reduce its exposure to interest rate risk on its monetary assets and liabilities. In principle, the Bank applies the deferred hedge accounting method for hedges of interest rate risk on its monetary assets and liabilities.

As for portfolio hedges on groups of large-volume, small-value monetary debts, the Bank applies the deferred hedge accounting method as stipulated in "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (Report No. 24 of the Industry Audit Committee of JICPA).

To evaluate the effectiveness of portfolio hedges on groups of large-volume, small-value monetary debts, the Bank designates deposits as hedged items and interest rate swaps and others as hedging instruments and assesses how the hedging instruments offset changes in the fair value of hedged items by grouping them into their maturities.

The Bank considers the individual hedges to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items are almost the same as the hedging instruments, which allows the interest rate swaps to meet conditions stipulated for special accounting treatment for interest rate swaps.

For some financial assets and liabilities, the Bank applies special accounting treatment for interest rate swaps.

Hedging against foreign exchange fluctuation risks:

The Bank applies the deferred hedge accounting method, the fair value hedge accounting method, and the accounting method translating foreign currency receivables at forward rates to reduce its exposure to exchange rate fluctuations on the portion of the net unrealized gains/losses on available-for-sale securities exposed to the risks of foreign exchange fluctuation risk.

In order to hedge risk arising from volatility of exchange rates for securities denominated in foreign currencies, the Bank applies portfolio hedges, on the conditions that the hedged foreign securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged foreign securities denominated in the same foreign currencies.

The Bank considers the individual hedges to be highly effective because the Bank designates the hedges in such a way that the major conditions of the hedged items and the hedging instruments are almost the same.

i. Cash and Cash Equivalents—For the purpose of the statement of cash flows, cash and cash equivalents represent cash and due from banks on the balance sheets, excluding negotiable certificates of deposit in other banks.

j. Consumption Taxes—The Bank is subject to Japan's national and local consumption taxes. Japan's national and local consumption taxes are excluded from transaction amounts.

k. Income Taxes—The Bank adopts the consolidated taxation system designating JAPAN POST HOLDINGS Co., Ltd. as the parent company.

l. Accounting Pronouncements Issued But Not Yet Adopted—The Bank plans to adopt the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, issued on May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012), as follows:

• Overview

From the viewpoint of financial reporting improvement and international convergence, the aforementioned accounting standard and guidance has been revised mainly focusing on the enhancement of disclosure and how retirement benefit obligations and current service costs should be determined.

• Planned Effective Dates

The Bank will adopt the revised determination of retirement benefit obligations and current service costs at the beginning of the fiscal year starting on April 1, 2014.

• Effect of Adopting this Accounting Standard and Guidance

Upon adoption of this accounting standard and guidance, reserve for employees' retirement benefits at the beginning of the fiscal year starting on April 1, 2014 is expected to increase by ¥13,730 million while deferred tax liabilities and retained earnings at the beginning of the fiscal year starting on April 1, 2014 are expected to decrease by ¥4,893 million and ¥8,837 million, respectively.

m. Changes in Presentation—The presentation of footnote information relating to the reserve for employees' retirement benefits has changed following the application of the "Accounting Standard for Retirement Benefits" and "Guidance on Retirement Benefits" from the fiscal year ended March 31, 2014 (with the exemption of the revised determination of retirement benefit obligations and current service costs effective from the start of the fiscal year which began on April 1, 2014).

The footnote information related to Reserve for Employees' Retirement Benefits has not been restated because the Bank has followed the transitional treatment in Article 37 of the ASBJ "Retirement Benefits Accounting Standard."

3. Foreign Exchanges

Foreign exchanges as of March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Assets:		
Due from foreign banks	3,018	30,630
Foreign bills bought and foreign exchanges purchased	32	29
Total	3,051	30,659
Liabilities:		
Foreign bills sold	32	43
Foreign bills payable	239	206
Total	272	249

4. Other Assets

Other assets as of March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Domestic exchange settlement accounts—debit	3,470	18,431
Prepaid expenses	10,898	7,751
Accrued income	362,754	345,089
Derivatives other than trading	7,671	5,172
Other	1,251,810	1,152,864
Total	1,636,605	1,529,309

5. Tangible Fixed Assets

Tangible fixed assets as of March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Buildings	105,336	107,165
Land	26,991	26,953
Construction in progress	19	363
Other	170,753	173,234
Subtotal	303,101	307,716
Accumulated depreciation	148,218	163,128
Total	154,882	144,588

6. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Software	141,374	100,473
Other	9,252	6,465
Subtotal	150,626	106,939
Accumulated depreciation	86,033	48,214
Total	64,592	58,725

7. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" is shown on the assets side of the balance sheets, representing the Bank's right of indemnity from the applicants.

8. Assets Pledged as Collateral

Assets pledged as collateral and their relevant liabilities as of March 31, 2013 and 2014 were as follows:

(Millions of yen)

	2013	2014
Assets pledged as collateral:		
Securities	37,240,751	34,935,490
Liabilities corresponding to assets pledged as collateral:		
Deposits	29,974,390	26,038,039
Payables under securities lending transactions	9,443,239	10,667,591
Acceptances and guarantees	145,000	115,000

In addition, the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions were collateralized, and margins for future transactions were substituted by securities of ¥4,900,344 million and ¥5,960,122 million as of March 31, 2013 and 2014, respectively.

"Other assets" included guarantee deposits of ¥1,697 million and ¥2,180 million, as of March 31, 2013 and 2014, respectively.

9. Deposits

Deposits as of March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Transfer deposits	10,209,954	10,925,669
Ordinary deposits	44,900,184	45,238,071
Savings deposits	402,558	396,371
Time deposits	18,817,949	14,781,463
Special deposits*	29,958,707	26,021,946
TEIGAKU deposits**	71,560,721	78,994,737
Other deposits	246,060	254,519
Total	176,096,136	176,612,780

* "Special deposits" represent deposits received from the Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency.

** "TEIGAKU deposits" are a kind of 10-year-maturity time deposits unique to the Bank. The key feature is that depositors have the option to withdraw money anytime after six months from the inception of the deposits. The effective interest rates put on deposits rise in a staircase pattern, with duration of up to three years.

"Transfer deposits" correspond to "Current deposits" and "TEIGAKU deposits" to "Other deposits" in liabilities in accordance with the Ordinance for Enforcement of the Banking Act.

10. Other Liabilities

Other liabilities as of March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Domestic exchange settlement accounts—credit	7,817	25,576
Income taxes payable	37,541	25,749
Accrued expenses	1,091,251	1,242,505
Unearned income	122	110
Derivatives other than trading	683,309	990,873
Asset retirement obligations	301	614
Other	325,566	225,680
Total	2,145,910	2,511,110

11. Contingent Liabilities

The Bank has contractual obligations to make future payments on consignment contracts for system-related services (such as usage of hardware, software, telecommunication services, and maintenance). The details as of March 31, 2013 and 2014 are as follows:

(Millions of yen)

	2013	2014
One year or less	5,625	4,332
Over one year	6,822	6,742
Total	12,448	11,075

12. Other Operating Income

Other operating income for the fiscal years ended March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Gains on foreign exchanges	—	1,480
Gains on sales of bonds	47,403	9,207
Gains on redemption of bonds	—	9,799
Income from derivatives other than for trading or hedging	120	—
Total	47,524	20,487

13. Other Income

Other income for the fiscal years ended March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Gains on money held in trusts	84,391	103,858
Reversal of reserve for possible loan losses	17	37
Recoveries of written-off claims	17	22
Other	2,993	3,265
Total	87,419	107,183

14. Other Operating Expenses

Other operating expenses for the fiscal years ended March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Losses on foreign exchanges	40,236	—
Losses on sales of bonds	3,236	14,731
Total	43,473	14,731

15. Other Expenses

Other expenses for the fiscal years ended March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Losses on money held in trust	1	2
Losses on sales and disposals of fixed assets	874	562
Losses on impairment of fixed assets	606	65
Group restructuring expenses	501	—
Other	1,603	11,379
Total	3,588	12,010

16. Shareholders' Equity

The Corporate Law of Japan requires that all shares of common stock be issued with no par value and at least 50% of the amount paid of new shares is required to be recorded as common stock and the remaining net proceeds as legal capital surplus, which is included in capital surplus. The Banking Act of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be reserved as legal retained earnings or legal capital surplus until the total amount of them equals 100% of common stock. Legal retained earnings and legal capital surplus that could be used to eliminate or reduce a deficit, or could be capitalized, generally require a resolution of the shareholders' meeting. All legal retained earnings and legal capital surplus are potentially available for dividends. The Corporate Law of Japan permits Japanese companies, upon approval of the board of directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within shareholders' accounts.

The Corporate Law of Japan allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon approval of the board of directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends.

The maximum amount that the Bank is able to distribute as dividends subject to the approval of the shareholders is calculated based on the non-consolidated financial statements of the Bank in accordance with the Corporate Law of Japan.

Type and number of outstanding shares issued for the fiscal years ended March 31, 2013 and 2014 were as follows:

(Thousands of shares)

	Authorized	Number of shares outstanding at the beginning of the fiscal year	Increase	Decrease	Number of shares outstanding at the end of the fiscal year
March 31, 2013 Common stock	600,000	150,000	—	—	150,000
March 31, 2014 Common stock	600,000	150,000	—	—	150,000

Dividends distributed during the fiscal year ended March 31, 2013:

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 8, 2012	Common stock	83,713	558.09	March 31, 2012	May 9, 2012

Dividends distributed during the fiscal year ended March 31, 2014:

Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 9, 2013	Common stock	93,487	623.25	March 31, 2013	May 10, 2013

Of dividends whose record date was included in the fiscal years ended March 31, 2013 and 2014, those whose effective date occurs after the fiscal year's closing

2013					
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 9, 2013	Common stock	93,487	623.25	March 31, 2013	May 10, 2013

2014					
Resolution	Type	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
May 9, 2014	Common stock	93,987	626.58	March 31, 2014	May 12, 2014

17. Cash and Cash Equivalents

The reconciliation between cash and cash equivalents in the statements of cash flows and cash and due from banks in the balance sheets as of March 31, 2013 and 2014 was as follows:

(Millions of yen)

	2013	2014
Cash and due from banks	9,195,940	19,463,622
Due from banks– negotiable certificates of deposit in other banks	(635,000)	(615,000)
Cash and cash equivalents	8,560,940	18,848,622

18. Leases

Operating lease transactions:

Future lease payments on noncancelable operating leases as of March 31, 2013 and 2014 were as follows:

(Millions of yen)

	2013	2014
Due within one year	1,157	759
Due over one year	2,685	1,949
Total	3,843	2,709

19. Securities

As of the end of the fiscal year ended March 31, 2014, Japanese Government Bonds include ¥100,660 million of secured loaned securities for which borrowers have the right to sell or pledge (securities collateralized bond lending/borrowing transactions). There were no secured loaned Japanese Government Bonds as of the end of the fiscal year ended March 31, 2013.

As of the end of the fiscal years ended March 31, 2013 and 2014, the Bank had the right to sell or pledge without restriction for securities held amounting to ¥8,150,664 million and ¥7,214,612 million among securities borrowed under contract of loan for consumption (securities borrowing transactions) and those borrowed with cash collateral under securities lending agreements.

20. Financial Instruments

a. Notes related to the conditions of financial instruments

(1) Policy for handling financial instruments

The Bank's operations comprise deposit-taking up to designated limits, syndicated loans and other lending, securities investment, domestic and foreign exchange, retail sales of Japanese Government Bonds, investment trusts, and insurance products, intermediary services including mortgages, and credit card operations.

The Bank raises funds primarily through deposits from individuals, and subsequently manages those funds by investing in securities including Japanese bonds, which mainly consist of Japanese Government Bonds, and foreign bonds, etc., as well as by making loans. Most of these financial assets and liabilities are subject to price fluctuations associated with interest rate movements and other risks, making it necessary to manage them so that future interest rate and foreign exchange rate movements do not have a negative impact on the Bank including affecting the stability of its earnings. The Bank therefore strives to appropriately manage its earnings and risks using integrated asset-liability management (ALM), and as part of this, engages in derivative transactions including interest rate swaps, currency swaps and others.

Since its incorporation in October 2007, the Bank has diversified its earnings sources through investment diversification and consequently the outstanding amount of financial assets with credit risk has steadily grown. However, these investments are made with careful regard to the securities in which the Bank invests and the amount invested so that the occurrence of a credit risk event or other factors will not result in excessive losses.

(2) Details of financial instruments and associated risks

The financial assets held by the Bank are securities including Japanese bonds, which mainly consist of Japanese Government Bonds, and foreign bonds. These financial assets contain credit risk with regard to the issuer and risks associated with interest rate fluctuations, market price movements, and other factors. Financial assets also include loans and equity investments via money held in trust, but the amounts of these investments are significantly less than those of bonds and other securities.

From the viewpoint of the Bank's asset and liability management (ALM), the Bank utilizes interest rate swaps as hedging instruments for interest rate-related instruments to avoid the risk of changes in future economic values of securities, loans, and time deposits on fluctuations of the yen interest rate. For currency-related instruments, the Bank utilizes currency swaps and others as hedging instruments to avoid the risk of foreign exchange fluctuations in connection with the translation of foreign currency-denominated assets (bonds) held by the Bank and related yen translation amounts of redemption of principal and interest.

Derivatives which meet certain requirements are accounted for by the hedge accounting method to control the effect on financial accounting within a fixed range when utilizing derivatives for hedging purposes.

The hedging instruments, the hedged items, the hedging policy, and the way to evaluate the effectiveness of hedges are included in the section "Summary of Accounting Policies h. Derivatives and Hedging Activities."

(3) Risk management structure for financial instruments

a) Basic policy

The Executive Committee has established special advisory committees, the Risk Management Committee and the ALM Committee, to handle risk management responsibilities. These advisory committees submit risk management reports based on the nature of each risk and discuss risk management policies and measures.

b) Credit risk

The Bank manages credit risk using Value at Risk (VaR: a statistical method that identifies the maximum loss possible based on designated probabilities in the financial assets and liabilities held) based on internal guidelines to quantitatively measure the amount of credit risk. The Bank sets appropriate risk limits to reflect risk capital allocations and then ensures the amounts of credit risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

In order to control credit concentration, the Bank has set credit limits for individual companies and corporate groups according to their creditworthiness and monitors the portfolios in an appropriate manner by adhering to these limits. The Risk Management Department oversees the Bank's internal credit rating system, self-assessments of loans, and other credit risk management activities. The Credit Department assigns internal credit ratings, monitors borrower status, watches large borrowers, and judges individual loans.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the credit risk management structure, and matters related to the implementation of credit risk management.

c) Market risk

As per the Bank's ALM policy, the Bank makes investments in instruments including Japanese and foreign bonds and equities as part of its banking operations, and these investments may therefore be affected by interest rate, exchange rate, share price and other fluctuations. However, based on internal guidelines regarding market risk management, the Bank measures the amount of market risk using the VaR statistical method. The Bank sets appropriate risk limits to reflect risk capital allocations and then ensures the amounts of market risk do not exceed its limits based on its financial strength, which is driven by a number of factors including capital.

The main financial instruments held by the Bank or transactions undertaken by the Bank that are affected by changes in variable components of major market risk (interest rates, currency exchange rates, stock prices) are call loans, monetary claims bought, money held in trust, securities, loans, deposits and derivative transactions.

The Bank measures and manages market risk using the VaR method. For its market risk measurement model, the Bank uses a historical simulation method (holding period of 240 operating days (one year); confidence interval of 99%; and observation period of 1,200 days (five years)). From the fiscal year ended March 31, 2014, the Bank has improved its internal model for liabilities to better reflect its actual status and increase its accuracy. In addition, it has revised its method and recognizes the risk posed by credit spread fluctuations of corporate bonds and other instruments as a market risk, rather than as a credit risk. As of March 31, 2013 and 2014, the Bank calculates the amounts of its market risk (estimated potential losses from such risk) as ¥1,502,106 million and ¥2,692,520 million, respectively. VaR provides the major market risk exposure which is statistically calculated under certain probability based on historical market fluctuations. Thus, it may not capture fully the risk stemming from extraordinary changes in the market environment that are normally considered improbable. To complement such risks, the Bank conducts stress testing using a variety of scenarios.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the market risk management structure, and matters related to the implementation of market risk management.

In addition, the Bank has a distinctive asset and liability structure, with Japanese Government Bonds accounting for the majority of its assets and TEIGAKU deposits for a majority of its liabilities. Recognizing the importance of the impact of interest rate risk on the Bank's profit structure, the Bank closely monitors and carefully controls interest rate risk by performing earnings simulations based on various market scenarios as part of its ALM.

Policy with regard to its ALM is discussed and determined at meetings of the Executive Committee, and the status of its implementation is reported to the ALM Committee and the Executive Committee.

The Bank manages market risk that arises from derivative transactions by separating the responsibilities of executing transactions, evaluating the effectiveness of hedges and operational management, and by establishing an internal control structure, based on internal guidelines related to derivatives.

d) Funding liquidity risk

The Bank's funding liquidity risk management consists primarily of closely monitoring funding conditions and taking timely and appropriate actions. It then maintains appropriate liquidity reserves for unexpected fund outflows.

Through these steps, the Bank sets, monitors, and analyzes its funding liquidity indicators to ensure stable liquidity management.

The Risk Management Committee, the ALM Committee, and the Executive Committee regularly hold meetings to discuss matters related to the maintenance and management of the funding liquidity risk management structure and matters related to the implementation of funding liquidity risk management.

(4) Supplementary explanation of items related to the fair value of financial instruments

The Bank determines the fair value of financial instruments based on the market price, but could use a rational estimate in cases where a market price does not exist. Various assumptions are used in these price estimates, and these prices may differ based on different assumptions and other factors.

b. Notes related to the fair values of financial instruments

The amounts on the balance sheets, the fair values, and the differences between the two as of March 31, 2013 and 2014 were as follows. Insignificant balance sheet accounts are not disclosed.

(Millions of yen)

2013			
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	9,195,940	9,195,940	—
(2) Call loans	1,837,733	1,837,733	—
(3) Receivables under securities borrowing transactions	8,141,533	8,141,533	—
(4) Monetary claims bought	58,835	58,835	—
(5) Trading account securities:			
Securities classified as trading purposes	247	247	—
(6) Money held in trust	3,038,863	3,038,863	—
(7) Securities:			
Held-to-maturity securities	98,714,603	101,981,887	3,267,283
Available-for-sale securities	72,881,039	72,881,039	—
(8) Loans:	3,967,999		
Reserve for possible loan losses*	(187)		
	3,967,811	4,095,662	127,850
Total assets	197,836,609	201,231,743	3,395,133
(1) Deposits	176,096,136	176,855,753	759,617
(2) Payables under securities lending transactions	9,443,239	9,443,239	—
Total liabilities	185,539,375	186,298,992	759,617
Derivative transactions**:			
For which hedge accounting is not applied	(11)	(11)	—
For which hedge accounting is applied	(675,625)	(675,625)	—
Total derivative transactions	(675,637)	(675,637)	—

(Millions of yen)

2014			
	Amount on the balance sheet	Fair value	Difference
(1) Cash and due from banks	19,463,622	19,463,622	—
(2) Call loans	1,843,569	1,843,569	—
(3) Receivables under securities borrowing transactions	7,212,769	7,212,769	—
(4) Monetary claims bought	62,272	62,272	—
(5) Trading account securities:			
Securities classified as trading purposes	278	278	—
(6) Money held in trust	2,919,003	2,919,003	—
(7) Securities:			
Held-to-maturity securities	89,602,957	92,084,639	2,481,681
Available-for-sale securities	76,453,993	76,453,993	—
(8) Loans:	3,076,325		
Reserve for possible loan losses*	(117)		
	3,076,208	3,164,803	88,594
Total assets	200,634,676	203,204,952	2,570,276
(1) Deposits	176,612,780	177,267,508	654,728
(2) Payables under securities lending transactions	10,667,591	10,667,591	—
Total liabilities	187,280,371	187,935,100	654,728
Derivative transactions**:			
For which hedge accounting is not applied	141	141	—
For which hedge accounting is applied	(985,842)	(985,842)	—
Total derivative transactions	(985,700)	(985,700)	—

* Reserve for possible loan losses is the general reserve for possible loan losses corresponding to loans.

** Figures are total derivative transactions recorded as other assets or other liabilities.

The net amount is shown for net claims and obligations arising from derivative transactions, with totals that are net obligations shown in parentheses.

Hedges covered by designation of foreign exchange forward contracts, etc., are treated as being an inseparable part of the foreign securities being hedged, and their fair value is therefore included in that of corresponding foreign securities.

(Note 1)
Valuation methodology for financial instruments
Assets
(1) Cash and due from banks
The fair value of due from banks that do not have a maturity date is approximately the same as their book value, and therefore the Bank uses the book value as the fair value. For due from banks that have a maturity date, their contract tenors are short term (within one year) and their fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.
(2) Call loans, (3) Receivables under securities borrowing transactions
Contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.
(4) Monetary claims bought
The Bank uses the price provided by the broker, etc., as the fair value.
(5) Trading account securities
The Bank uses the purchase price of the Bank of Japan as the fair value.
(6) Money held in trust
For invested securities representing trust assets in money held in trust, the Bank uses the price at the exchange market for equities and the Reference Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association for bonds as the fair value.
Notes pertaining to money held in trust by holding purpose are included in the below “h. Money held in trust” of Note 21. Fair Value Information.
(7) Securities
For bonds, the Bank uses the price at the exchange market, the Reference Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, and the comparable price method, or the price provided by the broker, etc., as the fair value. The Bank uses the funds’ unit price for investment trust as the fair value.
Notes pertaining to securities by holding purpose are included in the below Note 21. Fair Value Information for Securities.
(8) Loans
Loans with floating interest rates reflect market interest rates within the short term. Unless a borrower’s credit standing has changed significantly after the loan was originated, the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value. For fixed-rate loans, the Bank calculates the fair value for each loan based on total principal and interest amounts discounted at the interest rate that reflects the remaining tenor and credit risk of the borrower.
For loans that are limited to within a designated percentage of the amount of pledged assets, such as loans secured by deposit, the fair value is approximately the same as the book value based on the repayment period, interest rate conditions, etc., and therefore the Bank uses the book value as the fair value.

Liabilities
(1) Deposits
For demand deposits including transfer deposits and ordinary deposits, the Bank uses the amount that might be paid on demand at the balance sheet date (the book value) as the fair value.
For fixed-term deposits including time deposits and TEIGAKU deposits, the Bank classifies the deposits by specified tenors and then calculates the present value by discounting the projected future cash flow. In addition, for TEIGAKU deposits, the projected future cash flow reflects an early cancellation rate calculated using historical results. The Bank uses the interest rates on newly accepted fixed-term deposits as the discount rate.
(2) Payables under securities lending transactions
Contract tenors are short term (within one year) and the fair value is approximately the same as the book value, and therefore the Bank uses the book value as the fair value.

Derivative transactions
Derivative transactions consist of interest rate-related instruments (interest rate swaps) and currency-related instruments (foreign exchange forward contracts, currency swaps), and the Bank calculates the fair value using the discounted present value, etc.

(Note 2)
The amount on the balance sheet of financial instruments for which the Bank deems it extremely difficult to determine a fair value as of March 31, 2013 and 2014 was as follows. The fair value information for these financial instruments is not included in “Assets (7) Securities.”

(Millions of yen)

Type	2013	2014
	Amount on the balance sheet	Amount on the balance sheet
Securities of affiliates (unlisted)	935	935

(Note 3)
Scheduled redemption amounts of monetary claims and securities with a maturity date subsequent to the fiscal years ended March 31, 2013 and 2014 were as follows:

(Millions of yen)

	2013					
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Due from banks	9,072,096	—	—	—	—	—
Call loans	1,837,733	—	—	—	—	—
Receivables under securities borrowing transactions	8,141,533	—	—	—	—	—
Monetary claims bought	409	986	3,126	11,800	10,000	31,513
Securities:	34,829,884	49,124,597	29,055,702	19,577,592	28,998,296	3,467,100
Held-to-maturity securities:	19,097,031	33,933,415	19,796,550	10,887,190	14,849,400	—
Japanese Government Bonds	17,148,200	31,286,400	18,039,940	9,351,100	14,849,400	—
Japanese local government bonds	893,340	845,725	341,284	—	—	—
Japanese corporate bonds	966,636	1,732,799	1,351,014	1,503,657	—	—
Other securities	88,854	68,490	64,311	32,433	—	—
Available-for-sale securities (with maturity date):	15,732,852	15,191,181	9,259,152	8,690,402	14,148,896	3,467,100
Japanese Government Bonds	13,262,928	9,001,417	4,747,716	5,010,511	11,563,767	2,317,500
Japanese local government bonds	168,917	730,660	493,559	1,182,542	926,900	35,804
Japanese corporate bonds	1,219,301	1,752,796	719,143	917,200	475,940	1,029,437
Other securities	1,081,705	3,706,307	3,298,733	1,580,148	1,182,288	84,358
Loans	1,304,325	935,022	567,162	491,623	396,399	268,827
Total	55,185,983	50,060,606	29,625,990	20,081,016	29,404,695	3,767,441

(Millions of yen)

2014						
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Due from banks	19,343,923	—	—	—	—	—
Call loans	1,843,569	—	—	—	—	—
Receivables under securities borrowing transactions	7,212,769	—	—	—	—	—
Monetary claims bought	63	1,378	13,761	10,000	7,000	29,122
Securities:	34,050,652	42,827,443	25,328,349	19,740,209	30,978,206	2,887,917
Held-to-maturity securities:	23,724,520	27,521,919	13,315,184	7,475,531	17,502,070	—
Japanese Government Bonds	22,288,700	25,288,440	11,348,000	6,941,500	17,034,400	—
Japanese local government bonds	441,674	700,513	44,622	—	—	—
Japanese corporate bonds	965,509	1,461,279	1,890,084	501,598	467,670	—
Other securities	28,637	71,686	32,478	32,433	—	—
Available-for-sale securities (with maturity date):	10,326,131	15,305,523	12,013,164	12,264,678	13,476,136	2,887,917
Japanese Government Bonds	6,849,040	8,926,680	5,066,566	7,779,879	11,697,389	1,788,000
Japanese local government bonds	360,221	759,591	981,722	1,544,805	514,243	33,706
Japanese corporate bonds	1,283,545	1,116,848	1,368,621	849,277	259,300	1,066,211
Other securities	1,833,325	4,502,403	4,596,253	2,090,715	1,005,203	—
Loans	764,855	871,196	479,258	422,462	304,334	230,431
Total	63,215,833	43,700,018	25,821,369	20,172,672	31,289,540	3,147,471

(Note 4)
Scheduled repayment amounts of interest-bearing liabilities subsequent to fiscal years ended March 31, 2013 and 2014 were as follows:

(Millions of yen)

2013						
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	79,766,298	5,397,643	26,816,040	22,363,442	41,752,711	—
Payables under securities lending transactions	9,443,239	—	—	—	—	—
Total	89,209,537	5,397,643	26,816,040	22,363,442	41,752,711	—

(Millions of yen)

2014						
	One Year or Less	> One and ≤ Three Years	> Three and ≤ Five Years	> Five and ≤ Seven Years	> Seven and ≤ Ten Years	Over Ten Years
Deposits*	76,030,031	11,218,546	32,951,793	22,382,440	34,029,968	—
Payables under securities lending transactions	10,667,591	—	—	—	—	—
Total	86,697,623	11,218,546	32,951,793	22,382,440	34,029,968	—

* Demand deposits are included in "One Year or Less."

21. Fair Value Information
The fair value information of securities was as follows.
Securities discussed here include trading account securities, negotiable certificates of deposit recorded under cash and due from banks, certain monetary claims bought, as well as Japanese Government Bonds, Japanese local government bonds, Japanese corporate bonds, and other securities listed on the balance sheets.

a. Trading account securities
There were no unrealized gains or losses from trading account securities included in the profit and loss recorded in the statements of income for the fiscal years ended March 31, 2013 and 2014.

b. Held-to-maturity securities

(Millions of yen)

2013				
	Type	Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	89,247,254	92,244,168	2,996,914
	Japanese local government bonds	2,078,294	2,131,151	52,856
	Japanese corporate bonds	5,488,581	5,697,189	208,608
	Others	254,090	300,789	46,699
	Total	97,068,219	100,373,299	3,305,079
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	1,568,406	1,568,344	(62)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	77,978	77,953	(24)
	Others	—	—	—
	Total	1,646,384	1,646,297	(87)
Total		98,714,603	102,019,596	3,304,992

(Millions of yen)

2014				
	Type	Amount on the balance sheet	Fair value	Difference
Those for which the fair value exceeds the amount on the balance sheet	Japanese Government Bonds	80,965,607	83,250,657	2,285,049
	Japanese local government bonds	1,185,705	1,213,665	27,960
	Japanese corporate bonds	5,092,189	5,252,371	160,181
	Others	165,235	227,832	62,597
	Total	87,408,737	89,944,525	2,535,788
Those for which the fair value does not exceed the amount on the balance sheet	Japanese Government Bonds	1,993,687	1,993,605	(81)
	Japanese local government bonds	—	—	—
	Japanese corporate bonds	200,532	200,495	(37)
	Others	—	—	—
	Total	2,194,220	2,194,100	(119)
Total		89,602,957	92,138,626	2,535,669

c. Investments in subsidiaries and affiliates

As of March 31, 2013 and 2014, there were no investments in subsidiaries.

The securities of affiliates (¥935 million as of March 31, 2013 and ¥935 million as of March 31, 2014) were all unlisted, and did not have a market price. Since it was extremely difficult to determine a fair value for the securities, the fair value and different amounts were not disclosed.

d. Available-for-sale securities whose fair value is available:

(Millions of yen)

2013				
	Type	Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	50,333,216	48,736,260	1,596,955
	Japanese Government Bonds	41,223,647	39,942,346	1,281,301
	Japanese local government bonds	3,705,919	3,560,666	145,253
	Japanese corporate bonds	5,403,649	5,233,248	170,401
	Others	14,437,296	13,029,183	1,408,113
	Total	64,770,513	61,765,444	3,005,069
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	7,064,086	7,081,794	(17,708)
	Japanese Government Bonds	6,159,424	6,159,931	(507)
	Japanese local government bonds	21,885	21,901	(15)
	Japanese corporate bonds	882,777	899,961	(17,184)
	Others	1,740,275	1,763,636	(23,361)
	Total	8,804,361	8,845,431	(41,069)
Total		73,574,875	70,610,875	2,963,999

(Millions of yen)

2014				
	Type	Amount on the balance sheet	Acquisition cost	Difference
Those for which the amount on the balance sheet exceeds the acquisition cost	Bonds:	51,313,916	49,877,182	1,436,733
	Japanese Government Bonds	41,792,292	40,617,193	1,175,098
	Japanese local government bonds	4,154,660	4,034,384	120,275
	Japanese corporate bonds	5,366,963	5,225,604	141,358
	Others	21,399,537	19,163,334	2,236,203
	Total	72,713,454	69,040,517	3,672,937
Those for which the amount on the balance sheet does not exceed the acquisition cost	Bonds:	2,573,973	2,584,114	(10,140)
	Japanese Government Bonds	1,639,501	1,639,635	(133)
	Japanese local government bonds	210,014	210,378	(364)
	Japanese corporate bonds	724,457	734,100	(9,642)
	Others	1,843,837	1,849,339	(5,501)
	Total	4,417,811	4,433,453	(15,641)
Total		77,131,266	73,473,970	3,657,295

Note: Of the difference shown above, ¥133,725 million and ¥330,537 million are respectively included in the statements of income as profit for the fiscal year ended March 31, 2013 and 2014 because of the application of fair value hedge accounting.

e. Held-to-maturity securities sold during the fiscal year
Held-to-maturity securities sold during the fiscal years ended March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

2013			
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	972,574	973,195	621
Total	972,574	973,195	621

(Millions of yen)

2014			
	Cost of sales	Sales proceeds	Realized gains
Japanese Government Bonds	—	—	—
Total	—	—	—

These held-to-maturity securities were sold in accordance with Article 282 of "Practical Guidance on Accounting for Financial Instruments" (JICPA Accounting Standard Committee Report No. 14).

Realized gains (losses) are included in "Interest and dividends on securities" in the accompanying statements of income.

f. Available-for-sale securities sold during the fiscal year
Available-for-sale securities sold during the fiscal years ended March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

2013			
	Sales proceeds	Total realized gains	Total realized losses
Bonds:	1,487,777	15,402	(77)
Japanese Government Bonds	1,398,345	14,318	—
Japanese corporate bonds	89,431	1,084	(77)
Others	657,111	32,000	(3,159)
Total	2,144,889	47,403	(3,236)

(Millions of yen)

2014			
	Sales proceeds	Total realized gains	Total realized losses
Bonds:	1,572,513	8,973	(8,395)
Japanese Government Bonds	1,560,117	8,484	(8,277)
Japanese corporate bonds	12,396	489	(117)
Others	278,672	233	(6,335)
Total	1,851,186	9,207	(14,731)

g. Securities for which accounting for impairment was applied

For the securities (excluding trading securities) with market quotations, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Bank reduces its book value of securities to fair value on the balance sheet and charges valuation differences to income (hereafter "impairment losses") in the year in which they are recognized. No impairment losses were recognized for the fiscal years ended March 31, 2013 and 2014.

The criteria for determining if a security's fair value shows a "substantial decline" are as follows:

a) Securities other than bonds
- Securities whose fair value is 50% or less than the acquisition cost, or
- Securities whose fair value is 70% or less but over 50% of the acquisition cost and the market price continues to be less than a certain level

b) Bonds
- Securities whose fair value is 70% or less than the acquisition cost

h. Money held in trust

Fair value information of money held in trust was as follows.

The Bank did not hold money held in trust for the purpose of trading or held-to-maturity as of March 31, 2013 and 2014.

Money held in trust (excluding trading and held-to-maturity purposes) as of March 31, 2013 and 2014 were as follows:

(Millions of yen)

2013					
	Amount on the balance sheet	Acquisition cost	Difference	Those for which the amount on the balance sheet exceeds the acquisition cost	Those for which the amount on the balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	3,038,863	2,541,188	497,674	510,700	(13,025)

(Millions of yen)

2014					
	Amount on the balance sheet	Acquisition cost	Difference	Those for which the amount on the balance sheet exceeds the acquisition cost	Those for which the amount on the balance sheet does not exceed the acquisition cost
Money held in trust classified as: Available-for-sale	2,919,003	2,263,320	655,682	661,280	(5,597)

Notes:1. The amount on the balance sheet is stated at the average market price of the final month for the fiscal year for equity securities and at the market price on the balance sheet date for other securities.

2. "Those for which the amount on the balance sheet exceeds the acquisition cost" and "Those for which the amount on the balance sheet does not exceed the acquisition cost" represent the breakdown of the "Difference" for the respective items.

i. Money held in trust for which accounting for impairment was applied

For money held in trust (excluding money held in trust for the purpose of trading) that are under management as trust assets, whose fair value shows a substantial decline from their acquisition cost and is not judged to recover to their acquisition cost, the Bank reduces its book value of securities to fair value on the balance sheet and charges valuation differences to income (hereafter "impairment losses") in the year in which they are recognized. The amount of impairment losses for the fiscal years ended March 31, 2013 and 2014 amounted to ¥10,601 million and ¥840 million, respectively.

The criteria for determining if a security's fair value shows a "substantial decline" are as follows:

a) Securities other than bonds
- Securities whose fair value is 50% or less than the acquisition cost, or
- Securities whose fair value is 70% or less but over 50% of the acquisition cost and the market price continues to be less than a certain level

b) Bonds
- Securities whose fair value is 70% or less than the acquisition cost

j. Unrealized gains (losses) on available-for-sale securities

Unrealized gains (losses) on available-for-sale securities as of March 31, 2013 and 2014 consisted of the following:

(Millions of yen)

	2013	2014
Valuation differences:	3,327,948	3,982,440
Available-for-sale securities	2,830,273	3,326,757
Available-for-sale money held in trust	497,674	655,682
Deferred tax assets (liabilities)	(1,190,683)	(1,419,306)
Unrealized gains (losses) on available-for-sale securities	2,137,265	2,563,134

Note: Of the difference shown above, ¥133,725 million and ¥330,537 million are respectively included in the statements of income as profit for the fiscal year ended March 31, 2013 and 2014 because of the application of fair value hedge accounting.

22. Derivatives

a. Derivatives for which hedge accounting is not applied as of March 31, 2013 and 2014

For derivative transactions for which hedge accounting is not applied, the contract amounts on the balance sheet date for each type of underlying instrument, the principal equivalent amount stipulated in the contract, the fair value, unrealized gains or losses, and the valuation method are as follows. The amount shown as the contract amount, etc., does not show market risk related to the derivative transactions.

(1) Interest rate-related derivatives: None as of March 31, 2013 and 2014

(2) Currency-related derivatives

(Millions of yen)

2013					
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—bought	1,535	—	(11)	(11)
Total		—	—	(11)	(11)

(Millions of yen)

2014					
Category	Type	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value	Unrealized gains/losses
OTC	Foreign exchange forward contracts—bought	10,150	—	141	141
Total		—	—	141	141

Notes:1. The above instruments are stated at fair value and unrealized gains (losses) are charged to income or expenses in the statements of income.
2. The fair value is determined using the discounted cash flows.

(3) Equity-related derivatives: None as of March 31, 2013 and 2014
(4) Bond-related derivatives: None as of March 31, 2013 and 2014
(5) Commodity-related derivatives: None as of March 31, 2013 and 2014
(6) Credit derivatives: None as of March 31, 2013 and 2014

b. Derivatives for which hedge accounting is applied as of March 31, 2013 and 2014
For derivative instruments for which hedge accounting is applied, the contract amount on the balance sheet date for each type of underlying instruments for each hedge accounting method, the principal equivalent amount stipulated in the contract, the fair value, and the valuation method are as follows. The amount shown as the contract amount, etc., does not show market risk related to the derivative instruments.

(1) Interest rate-related derivatives

(Millions of yen)

2013					
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	Available-for-sale securities: (Japanese Government Bonds)	2,836,790	2,836,790	(236,571)
	Receive fixed swaps, pay floating swaps	Deposits	1,050,000	—	801
Total			—	—	(235,770)

(Millions of yen)

2014					
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Interest rate swap instruments: Pay fixed swaps, receive floating swaps	Available-for-sale securities: (Japanese Government Bonds and foreign securities)	2,913,747	2,913,747	(201,753)
Total			—	—	(201,753)

Notes:1. The deferred hedge accounting method is applied as the hedge accounting method for interest rate risks arising from financial assets and liabilities.
2. The fair value is determined using the discounted cash flows.

(2) Currency-related derivatives

(Millions of yen)

2013					
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	375,757	244,301	(32,290)
	Currency swap		2,261,381	2,125,693	(374,319)
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	798,644	—	(33,244)
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	189,995	115,726	(Note 3)
	Currency swap		80,198	59,220	
Total			—	—	(439,855)

(Millions of yen)

2014					
Hedge accounting method	Type	Primary hedged instrument	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value (Note 2)
Standard treatment	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	244,301	153,648	(62,151)
	Currency swap		2,721,308	2,175,135	(718,218)
Accounting method for recognizing gains and losses on hedged items	Foreign exchange forward contracts—sold	Available-for-sale securities: (Foreign securities)	1,114,137	—	(3,718)
Accounting method translating foreign currency receivables at forward rates	Foreign exchange forward contracts—sold	Held-to maturity securities: (Foreign securities)	115,726	82,388	(Note 3)
	Currency swap		59,220	59,220	
Total			—	—	(784,088)

Notes: 1. The deferred hedge accounting method is primarily used to hedge the risk from market exchange rate fluctuations for foreign currency-denominated securities.
2. The fair value is determined using the discounted cash flows.
3. Derivatives under the accounting method translating foreign currency receivables at forward rates are treated as being an inseparable part of the securities being hedged, and their fair value is therefore included in that of the corresponding securities under Note 20. Financial Instruments.

(3) Equity-related derivatives: None as of March 31, 2013 and 2014
(4) Bond-related derivatives: None as of March 31, 2013 and 2014

23. Loans

"Loans to bankrupt borrowers," "Non-accrual delinquent loans," "Past-due loans for three months or more," and "Restructured loans" did not exist as of March 31, 2013 and 2014.

Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. The Bank will make the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of various terms and conditions stipulated in the relevant loan agreement.

The unused commitment balance relating to these loan agreements amounted to ¥7,735 million and ¥2,735 million as of March 31, 2013 and 2014 respectively. Of this amount, there were no loans in which the term of the agreement was less than one year, or the unconditional cancellation of the agreement was allowed at any time as of March 31, 2014. As of March 31, 2013, these loans amounted to ¥5,000 million.

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused amount will not necessarily affect future cash flows. Conditions are included in certain loan agreements that allow the Bank to decline the request for a loan drawdown when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Bank's credit. At the inception of contracts, the Bank has the obligor pledge collateral to the Bank in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the Bank reviews the obligor's financial condition in accordance with the Bank's established internal procedures and takes necessary measures to protect its credit.

24. Reserve for Retirement Benefits

An outline of employees' retirement benefits as of March 31, 2013 was as follows:

1. Outline of employees' retirement benefit plans adopted by the Bank
The Bank has an internally funded lump-sum retirement payment plan for employees based on the internal retirement benefit rule.
2. Projected retirement benefit obligation

(Millions of yen)

	2013
Projected benefit obligation	(128,120)
Unfunded projected benefit obligation	(128,120)
Unrecognized net actuarial losses	(8,127)
Net amount recorded on the balance sheets	(136,247)
Reserve for employees' retirement benefits	(136,247)

3. Total retirement benefit costs

(Millions of yen)

	2013
Service cost	6,499
Interest cost on projected benefit obligation	2,195
Amortization of unrecognized net actuarial losses	(812)
Others	0
Total retirement benefit costs	7,882

4. Assumptions used in the calculation of retirement benefit obligations

	2013
Discount rate	1.7%
Method of attributing the projected benefit obligation to period of service	Straight-line method
Amortization period of unrecognized actuarial losses	10 years

An outline of employees' retirement benefits as of March 31, 2014 was as follows:

1. Outline of employees' retirement benefit plans adopted by the Bank
   The Bank has an internally funded lump-sum retirement payment plan for employees based on the internal retirement benefit rule.
2. Defined-benefit plan
   (1) Reconciliation of the projected benefit obligation at the beginning and the end of the fiscal year

(Millions of yen)

	2014
Projected benefit obligation at the beginning of the fiscal year	128,120
Service cost	6,349
Interest cost on projected benefit obligation	2,185
Unrecognized net actuarial losses in the fiscal year	(49)
Retirement benefits paid	(7,230)
Others	323
Projected benefit obligation at the end of the fiscal year	129,697

   (2) Reconciliation of the projected benefit obligation at the end of the fiscal year and the reserve for employees' retirement benefits recorded on the balance sheet

(Millions of yen)

	2014
Unfunded projected benefit obligation	129,697
Unrecognized net actuarial losses	7,150
Net amount recorded on the balance sheet	136,848
Reserve for employees' retirement benefits	136,848
Net amount recorded on the balance sheet	136,848

   (3) Total retirement benefit costs and components

(Millions of yen)

	2014
Service cost	6,349
Interest cost on projected benefit obligation	2,185
Amortization of unrecognized net actuarial losses	(1,027)
Others	152
Total retirement benefit costs related to the defined-benefit plan	7,660

   (4) The major assumptions used in the calculation of actuarial gains and losses

	2014
Discount rate	1.7%

25. Deferred Tax Assets/Liabilities

Income taxes, which consist of corporation, inhabitants', and enterprise taxes, are calculated based on taxable income.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2013 and 2014 were as follows:

(Millions of yen)

	2013	2014
Deferred tax assets:		
Reserve for possible loan losses	171	179
Reserve for employees' retirement benefits	48,806	48,771
Depreciation	17,326	13,813
Accrued interest on deposits	24,217	12,411
Impairment losses of money held in trust	3,076	2,103
Deferred losses on hedges	208,661	330,528
Accrued enterprise taxes	9,111	5,488
Other	18,686	19,246
Total deferred tax assets	330,059	432,542
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities	(1,190,683)	(1,419,306)
Other	(9,885)	(12,448)
Total deferred tax liabilities	(1,200,568)	(1,431,754)
Net deferred tax assets (liabilities)	(870,509)	(999,212)

For the fiscal years ended March 31, 2013 and 2014, the difference between the effective income tax rate and effective tax payout ratio was less than 5%.

Adjustment of deferred tax assets and deferred tax liabilities following the change in the corporate income tax rate, etc.

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014, and accordingly, the special corporation tax for reconstruction will no longer be levied from fiscal years beginning on or after April 1, 2014. As a result, the effective statutory tax rate used by the Bank to calculate deferred tax assets and deferred tax liabilities has been revised to 35.63%, from 38.01%. The lowered rate has been applied to the temporary differences that are expected to be deductible in the fiscal year beginning on April 1, 2014. In response to this change in the tax rate, deferred tax liabilities decreased by ¥2,920 million, net unrealized gains on available-for-sale securities increased by ¥5,017 million and deferred income taxes increased by ¥2,096 million.

26. Profit or Loss from Equity Method

The details for the fiscal years ended March 31, 2013 and 2014 were as follows:

(Millions of yen)

	2013	2014
Investments in affiliates	935	935
Investments, if equity method accounting is adopted	923	912
Investment gains (losses), if equity method accounting is adopted	22	(11)

27. Segment Information

Segment Information

Segment information is omitted since the Bank comprises of only one segment, which is defined as banking service.

Related Information

a. Information about services
   Information about services is omitted since revenues from securities investment accounted for more than 90% of the total revenues in the statements of income for the fiscal years ended March 31, 2013 and 2014.
b. Information about geographical areas
   1) Revenues
   Information about revenues by geographical area is omitted as revenues from external customers in Japan accounted for more than 90% of the total revenues in the statements of income for the fiscal years ended March 31, 2013 and 2014.
   2)Tangible fixed assets
   Information about tangible fixed assets by geographical areas is omitted as related assets located in Japan accounted for more than 90% of the tangible fixed assets in the balance sheets as of March 31, 2013 and 2014.
c. Information about major customers
   Information about major customers is omitted as there was no single external customer that accounted for 10% or more of the total revenues in the statements of income for the fiscal years ended March 31, 2013 and 2014.

Information about losses on impairment of fixed assets by reported segments

The related information is omitted as the Bank comprises of only one segment, which is defined as banking service.

Information about amortization of goodwill and unamortized balance by reported segment

None

Information about recognized gain on negative goodwill by reported segments

None

28. Related Party Transactions

a. Transactions with related parties
   Transactions between the Bank and related parties for the fiscal years ended March 31, 2013 and 2014 were as follows:

(1) Transactions between the Bank and the parent company, or major shareholders:

For the fiscal year ended March 31, 2013
JAPAN POST HOLDINGS Co., Ltd. (Parent company)

Ownership of voting rights held	100% of the Bank's shares		
Capital	¥3,500,000 million		
Nature of transactions	Business management Concurrent holding of positions by executive management directors		
Details of transactions	Payments of grants*	Payments of IT system (PNET) service charge**	Payments of management fees***
Transaction amount	¥27,009 million	¥28,270 million	¥2,914 million
Account	Other assets	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	¥5,560 million	¥2,462 million	¥267 million

Transaction conditions and policies on determining transaction conditions, etc.
* Payment is made pursuant to Article 122 of the Postal Service Privatization Act.
** Payment is made for data processing services using JAPAN POST GROUP internal networks in accordance with a contract with the parent company, at rates determined based on arm's length principle.
*** Payment of management fees is determined based on the total costs incurred in regard to business management conducted by the parent company.
Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

For the fiscal year ended March 31, 2014
JAPAN POST HOLDINGS Co., Ltd. (Parent company)

Ownership of voting rights held	100% of the Bank's shares		
Capital	¥3,500,000 million		
Nature of transactions	Business management Concurrent holding of positions by executive management directors		
Details of transactions	Payments of grants*	Payments of IT system (PNET) service charge**	Payments of management fees***
Transaction amount	¥22,069 million	¥22,639 million	¥3,044 million
Account	Other assets	Other liabilities	Other liabilities
Outstanding balance at end of the fiscal year	¥4,543 million	¥1,889 million	¥266 million

Transaction conditions and policies on determining transaction conditions, etc.
* Payment is made pursuant to Article 122 of the Postal Service Privatization Act.
** Payment is made for data processing services using JAPAN POST GROUP internal networks in accordance with a contract with the parent company, at rates determined based on arm's length principle.
*** Payment of management fees is determined based on the total costs incurred in regard to business management conducted by the parent company.
Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

(2) Transactions between the Bank and unconsolidated subsidiaries or affiliates:
None for the fiscal years ended March 31, 2013 and 2014

(3) Transactions between the Bank and companies with the same parent or subsidiaries of the Bank's affiliates:

For the fiscal year ended March 31, 2013
JAPAN POST Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil			
Capital	¥100,000 million			
Nature of transactions	Commissions on bank agency services, Consignment contracts for logistics operations, and Concurrent holding of positions by executive management directors			
Details of transactions	Payment of commissions on bank agency services*	Receipt and payment of funds related to bank agency services		Payment of consignment fees for logistics operations****
Transaction amount	¥609,578 million	¥1,162,630 million	—	¥2,274 million
Account	Other liabilities	Other assets **	Other liabilities ***	Other liabilities
Outstanding balance at end of the fiscal year	¥54,171 million	¥1,120,000 million	¥32,468 million	¥323 million

Transaction conditions and policies on determining transaction conditions, etc.
* The figures are determined based on costs incurred in connection with commissions on bank agency services.
** The figures represent advance payments of funds necessary for delivery of deposits in bank agency services. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2013.
*** The figures represent the unsettled amount between the Bank and JAPAN POST Co., Ltd. in connection with receipt/payment operations with customers in bank agency services. Transaction amounts are not presented because, being settlement transactions, these amounts are substantial.
**** Fees are paid for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on arm's length principle.
Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

For the year ended March 31, 2014
JAPAN POST Co., Ltd. (Subsidiary of parent company)

Ownership of voting rights held	Nil			
Capital	¥100,000 million			
Nature of transactions	Commissions on bank agency services, Consignment contracts for logistics operations, and Concurrent holding of positions by executive management directors			
Details of transactions	Payment of commissions on bank agency services*	Receipt and payment of funds related to bank agency services		Payment of consignment fees for logistics operations****
Transaction amount	¥607,266 million	¥1,112,876 million	—	¥2,749 million
Account	Other liabilities	Other assets **	Other liabilities ***	Other liabilities
Outstanding balance at end of the fiscal year	¥52,141 million	¥1,020,000 million	¥45,558 million	¥419 million

Transaction conditions and policies on determining transaction conditions, etc.

* The figures are determined based on costs incurred in connection with commissions on bank agency services.

** The figures represent advance payments of funds necessary for delivery of deposits in bank agency services. The transaction amounts are presented on an average balance basis for the fiscal year ended March 31, 2014.

*** The figures represent the unsettled amount between the Bank and JAPAN POST Co., Ltd. in connection with receipt/payment operations with customers in bank agency services. Transaction amounts are not presented because, being settlement transactions, these amounts are substantial.

**** Fees are paid for consigned operations, such as loading and unloading, storage, and delivery of articles at rates determined based on arm's length principle.

Note: Transaction amount is exclusive of consumption taxes. Year-end balance includes consumption taxes.

(4) Transactions between the Bank and directors and/or executive officers:
None for the fiscal years ended March 31, 2013 and 2014

b. Notes related to the parent company and/or significant affiliates

(1) Information on the parent company
JAPAN POST HOLDINGS Co., Ltd. (Unlisted)

(2) Information on significant affiliates
None

29. Per Share Data
Net assets per share as of March 31, 2013 and 2014 and net income per share for the years then ended were as follows:

(Yen)

	2013	2014
Net assets per share	73,317.05	76,430.16
Net income per share	2,492.98	2,364.43

Net assets per share as of March 31, 2013 and 2014 were calculated based on the following:

(Millions of yen)

	2013	2014
Net assets	10,997,558	11,464,524
Net assets attributable to common stock at the end of the fiscal year	10,997,558	11,464,524
Number of common stock at the end of the fiscal year used for the calculation of net assets per share (thousand shares)	150,000	150,000

Net income per share data for the fiscal years ended March 31, 2013 and 2014 were calculated based on the following:

(Millions of yen)

	2013	2014
Net income	373,948	354,664
Net income attributable to common stock	373,948	354,664
Average number of common stock outstanding during the fiscal year (thousand shares)	150,000	150,000

Note: Diluted net income per share is not presented since there has been no potential dilution for the years ended March 31, 2013 and 2014.

30. Subsequent Event
None

6. Japan Post Insurance Co., Ltd. —Consolidated Financial Data

The consolidated balance sheets as of March 31, 2014 and 2013 and the consolidated statements of income and changes in net assets for the years then ended ("consolidated financial statements") of Japan Post Insurance were audited by KPMG AZSA LLC in accordance with Article 396, Paragraph 1 of the Companies Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

Consolidated Balance Sheet

(Millions of yen)

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Assets		
Cash and deposits	726,649	1,670,837
Call loans	203,452	230,025
Receivables under securities borrowing transactions	2,331,286	2,822,188
Monetary claims bought	427,417	107,448
Money held in trust	256,832	581,627
Securities	72,557,197	69,377,991
Loans	12,691,554	11,020,585
Tangible fixed assets	86,064	89,453
Land	40,728	40,726
Buildings	33,305	33,353
Lease assets	1,394	1,507
Construction in progress	15	1,648
Other tangible fixed assets	10,621	12,218
Intangible fixed assets	105,865	124,161
Software	105,821	124,130
Lease assets	19	12
Other intangible fixed assets	24	18
Agency accounts receivable	133,911	102,651
Reinsurance receivables	–	234
Other assets	482,150	374,099
Deferred tax assets	462,214	592,532
Allowance for doubtful accounts	(1,095)	(1,036)
Total assets	**90,463,501**	**87,092,800**

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Liabilities		
Policy reserves and other reserves	84,746,052	80,799,941
Reserve for outstanding claims	947,123	831,690
Policy reserves	81,401,981	77,745,490
Reserve for policyholders' dividends	2,396,947	2,222,759
Reinsurance payables	191	1,234
Other liabilities	3,661,604	4,080,744
Reserve for possible claim payments	7,003	1,881
Reserve for employees' retirement benefits	58,821	–
Reserve for directors' retirement benefits	173	–
Liability for retirement benefits	–	56,627
Reserve under the special law	522,872	614,233
Reserve for price fluctuations	522,872	614,233
Total liabilities	**88,996,720**	**85,554,663**
Net assets		
Capital stock	500,000	500,000
Capital surplus	500,044	500,044
Retained earnings	310,958	351,010
Total shareholders' equity	1,311,002	1,351,054
Net unrealized gains on available-for-sale securities	155,778	184,774
Deferred gains (losses) on derivatives under hedge accounting	–	11
Defined retirement benefit plan	–	2,296
Total accumulated other comprehensive income	155,778	187,082
Total net assets	**1,466,780**	**1,538,136**
Total liabilities and net assets	**90,463,501**	**87,092,800**

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

1) Consolidated Statement of Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Ordinary income	**11,834,945**	**11,234,114**
Insurance premiums and the other	**6,481,772**	**5,911,643**
Investment income	**1,560,789**	**1,540,615**
Interest, dividends and other income	1,500,194	1,458,190
Gains from money held in trust	–	9,736
Gains on sales of securities	60,344	71,074
Gains on redemption of securities	62	54
Foreign exchange gains	–	1,452
Other investment income	188	107
Other ordinary income	**3,792,383**	**3,781,854**
Reversal of reserve for outstanding claims	48,611	115,432
Reversal of policy reserves	3,741,858	3,656,490
Other ordinary income	1,912	9,931
Ordinary expenses	**11,305,998**	**10,771,365**
Insurance claims and others	**10,673,000**	**10,160,877**
Insurance claims	10,189,390	9,511,326
Annuity payments	197,107	256,746
Benefits	26,231	33,941
Surrender benefits	154,965	220,263
Other refunds	105,305	135,968
Reinsurance premiums	–	2,631
Provision for policy reserves and others	**9,008**	**4,627**
Provision for interest portion on reserve for policyholders' dividends	9,008	4,627
Investment expenses	**29,515**	**18,122**
Interest expenses	3,753	4,963
Losses on money held in trust	4,108	–
Losses on sales of securities	19,665	10,205
Losses on redemption of securities	78	62
Losses on derivative financial instruments	318	2,161
Foreign exchange losses	672	–
Provision for allowance for doubtful accounts	18	8
Other investment expenses	900	721
Operating expenses	**513,256**	**513,999**
Other ordinary expenses	**81,216**	**73,738**
Ordinary profit	**528,946**	**462,748**
Extraordinary gains	**127**	**–**
Other extraordinary gains	127	–
Extraordinary losses	**67,107**	**100,030**
Losses on disposal of fixed assets	1,958	8,670
Provision for reserve under the special law	64,656	91,360
Provision for reserve for price fluctuations	64,656	91,360
Group reorganization expenses	491	–
Provision for reserve for policyholders' dividends	**307,427**	**242,146**
Income before income taxes and minority interests	**154,540**	**120,571**
Income taxes - current	**199,441**	**200,724**
Income taxes - deferred	**(135,580)**	**(142,955)**
Total income taxes	**63,861**	**57,769**
Income before minority interests	**90,678**	**62,802**
Minority interests	**–**	**–**
Net income	**90,678**	**62,802**

2) Consolidated Statement of Comprehensive Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Income before minority interests	**90,678**	**62,802**
Other comprehensive income		
Net unrealized gains on available-for-sale securities	98,627	28,996
Deferred gains (losses) on derivatives under hedge accounting	–	11
Total other comprehensive income	**98,627**	**29,007**
Total comprehensive income	**189,305**	**91,810**
Total comprehensive income attributable to:		
Owners of the parent	189,305	91,810
Minority interests	–	–

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2013 (Millions of yen)

Item	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the year	500,000	500,044	237,213	1,237,257
Changes during the year				
Dividends			(16,933)	(16,933)
Net income			90,678	90,678
Net changes other than shareholders' equity				
Total changes during the year	–	–	73,745	73,745
Balance at the end of the year	500,000	500,044	310,958	1,311,002

Item	Accumulated other comprehensive income		
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Defined retirement benefit plan
Balance at the beginning of the year	57,151	–	–
Changes during the year			
Dividends			
Net income			
Net changes other than shareholders' equity	98,627		
Total changes during the year	98,627	–	–
Balance at the end of the year	155,778	–	–

For the year ended March 31, 2014 (Millions of yen)

Item	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the year	500,000	500,044	310,958	1,311,002
Changes during the year				
Dividends			(22,750)	(22,750)
Net income			62,802	62,802
Net changes other than shareholders' equity				
Total changes during the year	–	–	40,052	40,052
Balance at the end of the year	500,000	500,044	351,010	1,351,054

Item	Accumulated other comprehensive income		
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Defined retirement benefit plan
Balance at the beginning of the year	155,778	–	–
Changes during the year			
Dividends			
Net income			
Net changes other than shareholders' equity	28,996	11	2,296
Total changes during the year	28,996	11	2,296
Balance at the end of the year	184,774	11	2,296

Consolidated Statement of Cash Flows

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	154,540	120,571
Depreciation	34,390	34,074
Increase (decrease) in reserve for outstanding claims	(48,611)	(115,432)
Increase (decrease) in policy reserves	(3,741,858)	(3,656,490)
Interest portion on reserve for policyholders' dividends	9,008	4,627
Provision for reserve for policyholders' dividends	307,427	242,146
Increase (decrease) in allowance for doubtful accounts	16	(59)
Increase (decrease) in reserve for possible claim payments	7,003	(5,122)
Increase (decrease) in reserve for directors' retirement benefits	7	(173)
Increase (decrease) in reserve for employees' retirement benefits	1,521	–
Increase (decrease) in liability for retirement benefits	–	(2,193)
Increase (decrease) in reserve for price fluctuations	64,656	91,360
Interest, dividends and other income	(1,500,194)	(1,458,190)
Losses (gains) related to securities	(40,662)	(60,861)
Interest expenses	3,753	4,963
Foreign exchange losses (gains)	672	(1,452)
Losses (gains) related to tangible fixed assets	148	280
Group reorganization expenses	491	–
Decrease (increase) in agency accounts receivables	(18,725)	31,259
Decrease (increase) in reinsurance receivables	–	(234)
Decrease (increase) in other assets (excluding investing and financing activities)	(56,923)	(26,487)
Increase (decrease) in reinsurance payables	(75)	1,043
Increase (decrease) in other liabilities (excluding investing and financing activities)	(20,093)	(11,090)
Others, net	6,369	2,263
Subtotal	(4,837,137)	(4,805,197)
Interest and dividend income received	1,581,800	1,653,556
Interest expenses paid	(3,754)	(4,911)
Policyholders' dividends paid	(430,448)	(420,523)
Others, net	(363)	–
Income taxes paid	(245,738)	(174,063)
Net cash provided by (used in) operating activities	**(3,935,642)**	**(3,751,139)**

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Cash flows from investing activities		
Payments for purchases of call loans	(30,330,152)	(32,758,125)
Proceeds from redemption of call loans	30,724,414	32,731,552
Payments for purchases of monetary claims bought	(2,044,334)	(2,746,495)
Proceeds from sales and redemption of monetary claims bought	1,632,157	3,066,421
Payments for increase in money held in trust	(10,000)	(290,000)
Proceeds from decrease in money held in trust	34,951	13,813
Payments for purchases of securities	(7,800,780)	(6,587,951)
Proceeds from sales and redemption of securities	9,936,387	9,806,272
Origination of loans	(1,802,395)	(1,610,231)
Proceeds from collection of loans	3,034,426	3,273,164
Net increase (decrease) in receivables/payables under securities borrowing/lending transactions	313,935	97,715
Others, net	(197,656)	(229,212)
Total of net cash provided by (used in) investment transactions	3,490,954	4,766,922
(Total of net cash provided by (used in) operating activities and investment transactions)	**(444,688)**	**1,015,783**
Payments for purchases of tangible fixed assets	(4,629)	(6,052)
Proceeds from sales of tangible fixed assets	–	9
Payments for purchases of intangible fixed assets	(33,868)	(39,808)
Others, net	(659)	(2,550)
Net cash provided by (used in) investing activities	**3,451,797**	**4,718,522**
Cash flows from financing activities		
Repayments of lease obligations	(355)	(444)
Dividends paid	(16,933)	(22,750)
Net cash provided by (used in) financing activities	**(17,289)**	**(23,195)**
Effect of exchange rate changes on cash and cash equivalents	**–**	**–**
Net increase (decrease) in cash and cash equivalents	**(501,134)**	**944,187**
Cash and cash equivalents at the beginning of the year	**1,227,784**	**726,649**
Cash and cash equivalents at the end of the year	**726,649**	**1,670,837**

Notes to the consolidated financial statements

Basis of presentation

(1) The accompanying consolidated financial statements of Japan Post Insurance Co.,Ltd.(the "Company") and its subsidiary (collectively, the "Companies") have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.
The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(2) Fractional amounts of less than ¥1 million are rounded down, except for per share information. Accordingly, the totals do not necessarily agree with the sum of the individual amounts.

Basis for preparation of the consolidated financial statements

1. Scope of consolidation
All subsidiaries have been consolidated.
Number of consolidated subsidiaries: One
Name of consolidated subsidiary: JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.

2. Application of the equity method
None

3. Fiscal year end of consolidated subsidiary
The consolidated subsidiary has the same fiscal year end as that of the consolidated financial statements.

4. Significant accounting policies
(1) Valuation methods for significant assets
1) Securities
Securities, including cash and deposits, monetary claims bought which are equivalent to securities, and securities managed as assets of money held in trust, are carried as explained below:
(i) Held-to-maturity bonds
Stated at amortized cost (straight-line method), determined by the moving-average method
(ii) Policy-reserve-matching bonds (in accordance with Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching bonds in the Insurance Industry" issued by the Japanese Institute of Certified Public Accountants)
Stated at amortized cost (straight-line method), determined by the moving-average method
(iii) Available-for-sale securities
a. Available-for-sale securities with fair value
Valued at fair value at the end of the fiscal year (for stocks and stock mutual funds, the average quoted price for the last month immediately prior to the end of the fiscal year), with cost determined by the moving-average method.
b. Available-for-sale securities whose fair value is extremely difficult to measure
• Government and corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustments
Valued at the amortized cost (straight-line method), determined by the moving-average method
• Others
Valued at cost determined by the moving-average method
Net unrealized gains or losses on available-for-sale securities are presented as a separate component of net assets.

2) Derivatives
Derivatives are reported at fair value.

(2) Depreciation methods for significant depreciable assets
1) Tangible fixed assets (excluding lease assets)
Depreciation of tangible fixed assets is calculated using the straight-line method.
Estimated useful lives of major assets are as follows:
(i) Buildings, attached improvements and structures
2 to 55 years
(ii) Other tangible fixed assets
2 to 20 years

2) Intangible fixed assets (excluding lease assets)
Amortization of software for internal use is calculated using the straight-line method over the estimated useful life (generally 5 years).

3) Lease assets
Depreciation of lease assets with regard to finance leases whose ownership does not transfer to the lessees is computed by the straight-line method assuming zero-salvage value over the lease terms.

(3) Allowances and reserves
1) Allowance for doubtful accounts
Allowance for doubtful accounts is determined based on the internal rules for self-assessment and internal rules for write-offs and provisions. It is calculated based on the historical credit loss experience and estimated uncollectible amounts for specific loans.
For all loans and claims, the relevant department performs an asset quality assessment in accordance with the internal rules for self-assessment, and an independent audit department reviews the results of the assessment. The allowance is provided based on the result of such assessment.
For loans and claims to bankrupt obligors (obligors that have already experienced formal or legal failure, such as bankruptcy and reorganization) and obligors at risk of bankruptcy (obligors that have not yet suffered business failure but are considered highly likely to fail), the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amounts written off during the years ended March 31, 2013 and 2014, were ¥64 million and ¥138 million, respectively.

2) Reserve for possible claim payments
Reserve for possible claim payments includes an additional estimated amount of possible claims based on past experience due to improvement of notification of claims the Company is currently working on.

(4) Accounting treatment for retirement benefits
1) Attribution method for projected retirement benefit obligations
The retirement benefit obligations are determined using the straight-line attribution method to attribute the projected retirement benefit obligations in each period to the end of this fiscal year.

2) Amortization of actuarial gain or loss
Actuarial gain or loss is amortized ratably using the straight-line method over a certain period (14 years), within the average remaining service years of the employees at the date when the actuarial gain or loss was incurred, commencing with the following fiscal year.

3) Application of the simplified method for small companies
The consolidated subsidiary applies the simplified method to calculate its retirement benefit obligations and retirement benefit costs.

(5) Calculation method for reserve for price fluctuations
A reserve for price fluctuations is calculated in accordance with the provisions of Article 115 of the Insurance Business Act.

(6) Hedge accounting
1) Hedge accounting
Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10). Fair value

hedges using foreign currency forward contracts are used to hedge against exchange rate fluctuations of certain foreign currency-denominated bonds. Special hedge accounting for interest rate swaps and the deferral hedge are used for cash flow hedges of certain loans.

2) Hedging instruments and hedged items
(i) Hedging instruments ... foreign currency forward contracts
Hedged items ... foreign currency-denominated bonds
(ii) Hedging instruments ... interest rate swaps
Hedged items ... loans

3) Hedging policies
Foreign currency risk of foreign currency-denominated bonds and interest rate risk of loans are hedged within a certain range.

4) Assessment of hedge effectiveness
Hedge effectiveness is assessed by comparing cumulative fluctuations in market quotations or cash flows of hedged items to those of hedging instruments. However, for foreign currency forward contracts and interest rate swaps under special hedge accounting, which demonstrate a high correlation between hedging instruments and hedged items, the assessment of hedge effectiveness is omitted.

(7) Scope of cash and cash equivalents
The scope of "Cash and cash equivalents" in the consolidated statement of cash flows is composed of "Cash and bank deposits" in the consolidated balance sheet.

(8) Other significant policies
1) Policy reserves
Policy reserves are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as follows:
(i) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (the Notification of the Minister of Finance No. 48, 1996).
(ii) Reserves for other policies are established based on the net level premium method.
In addition, for 10 years from the fiscal year 2010, additional policy reserves for certain assumed reinsurance from the Management Organization for Postal Savings and Postal Life Insurance (the "Management Organization") have been provided in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act. The amounts of the additional provision for policy reserves for the years ended March 31, 2013 and 2014, were ¥171,491 million and ¥175,129 million, respectively.

2) Accounting treatment for consumption taxes
National and local consumption taxes are accounted for using the tax-exclusion method.

3) Consolidated tax payment system
Consolidated tax payment system has been adopted. Japan Post Holdings Co., Ltd. is the parent company of the consolidated tax payment system.

Changes in accounting policies

The Company has applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) (excluding the provisions of Paragraph 35) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012) (excluding the provisions of Paragraph 67) from the year ended March 31, 2014, and the liability for retirement benefits has been changed to be presented as the amount of retirement benefit obligations, net of plan assets. Unrecognized actuarial gain or loss is included in the liability for retirement benefits.

The Company applied the transitional treatment stipulated in Paragraph 37 of ASBJ Statement No. 26, and included the effect of this accounting change in accumulated other comprehensive income as defined retirement benefit plan.

Accordingly, the Company reported a liability of ¥56,627 million for retirement benefits as of March 31, 2014, and accumulated other comprehensive income increased by ¥2,296 million.

Accounting standards not yet applied

For ASBJ Statement No. 26 and ASBJ Guidance No. 25 (collectively, "retirement benefits standards"), the Company will apply the following in accordance with the policy of Japan Post Holdings Co., Ltd., its parent company.
(1) Summary
The retirement benefit standards have 1) revised accounting treatment of unrecognized gains and losses and unrecognized prior service cost, and improved disclosure items, and 2) revised the calculation method of retirement benefit obligations and service cost.
(2) Effective date
The Company will apply 2) from the fiscal year beginning on April 1, 2014.
(3) Effect of the application of the accounting standards
The beginning balance of retained earnings for the fiscal year beginning on April 1, 2014, will decrease by ¥3,533 million due to the application of the retirement benefit standards.

Notes to the Consolidated Balance Sheet

1. Carrying amount, fair value, and the risk management policy for policy-reserve-matching bonds are as follows:
(1) The carrying amount and the fair value for policy-reserve-matching bonds are as follows:

(Millions of yen)

As of March 31	2013	2014
Carrying amount	23,508,816	17,953,667
Fair value	24,927,941	19,052,820

(2) The risk management policy for policy-reserve-matching bonds is as follows:
The Company categorizes its insurance contracts into the following subgroups by their characteristics in order to manage interest rate risk of assets and liabilities, and matches the duration of the corresponding policy-reserve-matching bonds with the duration of the policy reserves in the respective subgroups within a certain range. The Company also periodically monitors the duration of the policy-reserve-matching bonds and the policy reserves in the subgroups.
1) The Postal Life Insurance contracts category
2) The Japan Post Insurance contracts (general) category
3) The Japan Post Insurance contracts (single premium annuity) category

2. The carrying amount of securities lent under lending agreements is as follows:

(Millions of yen)

As of March 31	2013	2014
Carrying amount	2,815,546	3,380,035

3. Loans do not include any loans to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans.
The respective definitions of the loans are as follows:
Loans to bankrupt borrowers are loans, after write-offs, to bankrupt borrowers as defined in Article 96, Paragraph 1-3-1 to 5 or 96, Paragraph 1-4 of the Order for Enforcement of the Corporation Tax Act (No. 97 in 1965) on which accrued interest income is not recognized ("Non-accrual loans") as there is substantial doubt as to the collection of principal and/or interest because of delinquencies in payment of principal and/or interest for a significant period of time or for other reasons.
Delinquent loans represent non-accrual loans other than loans to bankrupt borrowers and loans renegotiated at concessionary terms, which include reduction or deferral of interest in order to assist or support these borrowers in the restructuring of their business.
Loans past due for three months or more represent loans whose principal and/or interest payments have been past due for three months or more, excluding loans to bankrupt borrowers and delinquent loans.
Restructured loans represent loans renegotiated at concessionary terms, including reduction or deferral of interest or principal and waiver of the claims in order to assist or support these borrowers in the restructuring of their business, excluding loans to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

4. The amount of unused commitments related to loans is as follows:

(Millions of yen)

As of March 31	2013	2014
Unused commitments related to loans	–	1,250

5. Accumulated depreciation of tangible fixed assets is as follows:

(Millions of yen)

As of March 31	2013	2014
Accumulated depreciation	62,676	63,547

6. Changes in the reserve for policyholders' dividends are as follows:

(Millions of yen)

As of March 31	2013	2014
Balance at the beginning of the year	2,511,441	2,396,947
Policyholders' dividends paid during the year	430,448	420,523
Increase due to interest accrued during the year	9,008	4,627
Decrease due to purchasing additional annuity benefits	481	438
Provision for reserve for policyholders' dividends	307,427	242,146
Balance at the end of the year	2,396,947	2,222,759

7. Assets pledged as collateral are as follows:

(Millions of yen)

As of March 31	2013	2014
Securities	2,815,546	3,380,035

The amount of secured liabilities is as follows:

(Millions of yen)

As of March 31	2013	2014
Payables under securities lending transactions	3,114,558	3,703,176

Note: The amount is included in "Other liabilities" in the consolidated balance sheet.

All of "Securities" above are pledged as collateral for securities lending transactions with cash collateral.

8. The ceded amount of reserve for outstanding claims, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, as applied pursuant to Article 73, Paragraph 3 of the Ordinance for Enforcement of the Insurance Business Act ("Reserve for outstanding claims–ceded") is as follows:

(Millions of yen)

As of March 31	2013	2014
Reserve for outstanding claims-ceded	—	82

The ceded amount of policy reserves, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act ("Policy reserves–ceded") is as follows:

(Millions of yen)

As of March 31	2013	2014
Policy reserves-ceded	—	183

9. The fair value of securities borrowed under securities borrowing agreements held at the end of the year that can be sold or pledged as collateral at the Company's discretion is as follows:

(Millions of yen)

As of March 31	2013	2014
Fair value	2,330,656	2,816,810

10. The estimated amount of future contributions to the Life Insurance Policyholders Protection Corporation of Japan as stipulated in Article 259 of the Insurance Business Act is as follows.

The contributions are accounted for as operating expenses in the year when the contributions are made.

(Millions of yen)

As of March 31	2013	2014
Estimated amount of future contributions	14,672	18,834

11. Policy reserves assumed from the Management Organization (excluding contingency reserve) are provided based on the calculation method prescribed by the Company for its premiums and policy reserves in order to exceed the amount calculated for the policy reserves for the Postal Life Insurance designated under the Act on the Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005). Also, the Company provides contingency reserve and a reserve for price fluctuations for the reinsurance contracts assumed.

Policy reserves mentioned above (excluding contingency reserve), contingency reserve and the reserve for price fluctuations are as follows:

(Millions of yen)

As of March 31	2013	2014
Policy reserves (excluding contingency reserve)	64,325,970	57,879,628
Contingency reserve	2,514,762	2,350,030
Reserve for price fluctuations	480,865	554,723

12. "Other liabilities" in the consolidated balance sheet include "Deposits from the Management Organization". "Deposits from the Management Organization" represents the amount equivalent to the reserve for outstanding claims and provision for loss on compensation for damages (related to litigation or conciliation) of the Management Organization. Such deposits were made upon privatization in accordance with the outsourcing agreements with the Management Organization for the administrative operation of the Postal Life Insurance and were not paid by March 31, 2014.

The carrying amount of "Special deposits from the Management Organization" in the consolidated balance sheet is as follows:

(Millions of yen)

As of March 31	2013	2014
Carrying amount	78,877	66,221

Notes to Consolidated Statement of Income

1. The breakdown of operating expenses is as follows:

(Millions of yen)

Years ended March 31	2013	2014
Sales activity expenses	196,940	190,508
Sales administration expenses	13,647	13,847
General administration expenses	302,668	309,643

2. The amount of provision for reserve for outstanding claims-ceded that is added to the calculation of reversal of the reserve for outstanding claims is ¥82 million for the year ended March 31, 2014. The amount of provision for policy reserves-ceded that is added to the calculation of reversal of policy reserves is ¥183 million for the year ended March 31, 2014 (those amounts for the year ended March 31, 2013, are nil).

3. Insurance premiums for reinsurance contracts assumed from the Management Organization included in Insurance premiums and the other are as follows:

(Millions of yen)

Years ended March 31	2013	2014
Insurance premiums	2,685,558	2,155,398

4. Insurance claims for reinsurance contracts assumed from the Management Organization included in Insurance claims are as follows:

(Millions of yen)

Years ended March 31	2013	2014
Insurance claims	10,165,661	9,477,426

5. Provision for reserve for policyholders' dividends provided on behalf of the Management Organization, which is calculated based on profit or loss from reinsurance contracts assumed under the reinsurance contracts with the Management Organization, is as follows:

(Millions of yen)

Years ended March 31	2013	2014
Provision for reserve for policyholders' dividends	281,642	222,812

Notes to the Consolidated Statement of Comprehensive Income

1. Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

Years ended March 31	2013	2014
Net unrealized gains on available-for-sale securities		
Net unrealized gains during the year	117,878	32,105
Reclassification adjustments	24,294	8,502
Before income tax effect	142,172	40,608
Income tax effect	(43,545)	(11,611)
Net unrealized gains on available-for-sale securities	98,627	28,996
Deferred gains (losses) on derivatives under hedge accounting		
Deferred gains (losses) during the year	–	16
Reclassification adjustments	–	–
Before income tax effect	–	16
Income tax effect	–	(4)
Deferred gains (losses) on derivatives under hedge accounting	–	11
Total other comprehensive income	98,627	29,007

Notes to the Consolidated Statement of Changes in Net Assets

(For the year ended March 31, 2013)

1. Class and number of shares issued and treasury stock

(Thousands of shares)

	Number of shares at the beginning of the year	Number of shares increased during the year	Number of shares decreased during the year	Number of shares at the end of the year
Shares issued				
Common stock	20,000	–	–	20,000
Total	20,000	–	–	20,000
Treasury stock				
Common stock	–	–	–	–
Total	–	–	–	–

2. Stock acquisition rights including those owned by the Company

None

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends paid	Dividends per share	Record date	Effective date
Board meeting held on May 15, 2012	Common stock	¥16,933 million	¥846.68	March 31, 2012	May 16, 2012

(2) Dividends for which the record date falls within the year ended March 31, 2013, and the effective date falls after March 31, 2013

Resolution	Class of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Record date	Effective date
Board meeting held on May 14, 2013	Common stock	¥22,750 million	Retained earnings	¥1,137.51	March 31, 2013	May 15, 2013

(For the year ended March 31, 2014)

1. Class and number of shares issued and treasury stock

(Thousands of shares)

	Number of shares at the beginning of the year	Number of shares increased during the year	Number of shares decreased during the year	Number of shares at the end of the year
Shares issued				
Common stock	20,000	–	–	20,000
Total	20,000	–	–	20,000
Treasury stock				
Common stock	–	–	–	–
Total	–	–	–	–

2. Stock acquisition rights including those owned by the Company
   None

3. Dividends
   (1) Dividends paid

Resolution	Class of shares	Total amount of dividends paid	Dividends per share	Record date	Effective date
Board meeting held on May 14, 2013	Common stock	¥22,750 million	¥1,137.51	March 31, 2013	May 15, 2013

(2) Dividends for which the record date falls within the year ended March 31, 2014, and the effective date falls after March 31, 2014

Resolution	Class of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Record date	Effective date
Board meeting held on May 14, 2014	Common stock	¥16,808 million	Retained earnings	¥840.43	March 31, 2014	May 15, 2014

Notes to the Consolidated Statement of Cash Flows

1. Reconciliation of cash and cash equivalents at the end of the year to the amounts disclosed in the consolidated balance sheet is as follows:

(Millions of yen)

Years ended March 31	2013	2014
Cash and deposits	726,649	1,670,837
Cash and cash equivalents	726,649	1,670,837

Leases

As lessee

1. Non-ownership transferable finance leases
   (1) Lease assets
   Lease assets include the following tangible fixed assets: vehicles

   (2) Depreciation method
   See Note 4. Significant accounting policies (2) Depreciation methods for significant depreciable assets.

2. Operating leases
   Future lease payments related to non-cancelable operating leases are as follows:

(Millions of yen)

As of March 31	2013	2014
Due within one year	957	448
Due after one year	448	–
Total	1,406	448

Financial Instruments

1. Qualitative information on financial instruments
   (1) Investment policies
   In order to maintain sound management and ensure the payments of insurance claims and benefits, the Company engages in cash flow matching between assets and liabilities based on the profile of liabilities using interest-bearing assets denominated in yen. The Company manages investments in local governments and corporate bonds denominated in yen for which it can expect higher returns than from government bonds to improve profitability. The Company is also strengthening its risk management.

   The Company uses derivatives as hedging instruments to mitigate foreign exchange risk and interest rate risks, limits the use of derivatives to hedging transactions and does not use derivatives for speculation purposes.

   (2) Nature and risks associated with financial instruments
   Financial assets held by the Company consist primarily of securities and loans, which are managed through asset liability management (ALM). Securities are exposed to credit risk of issuers, and price fluctuation risk and interest rate fluctuation risk. Bonds denominated in foreign currencies are also exposed to foreign exchange fluctuation risk. Loans with floating interest rates are exposed to interest rate fluctuation risk.

   Derivatives used by the Company consist primarily of foreign exchange forward and interest rate swap contracts. The Company uses those derivatives as primary hedging instruments to mitigate foreign exchange risk and interest rate risk, limits the use of derivatives to hedging transactions and does not use derivatives for speculation purposes. Accordingly, the associated market risks of those derivatives are mitigated and limited.

(3) Risk management

1) Market risk management

(i) Management of price fluctuation risk

The Company has an investment policy to secure stable asset management by investing in interest-bearing assets denominated in yen, mainly government bonds, and price fluctuation risk associated with investments in securities, classified as other than those held-to-maturity or policy-reserve-matching, is limited. The Risk Management Department assesses and monitors price fluctuation risk using the Value at Risk (VaR) method under the internal rules for market risk management and periodically reports the results to the Risk Management Committee.

(ii) Management of foreign exchange risk

The Company primarily invests in interest-bearing assets denominated in yen, and its exposure to foreign exchange risk associated with investments in foreign currency denominated assets is limited. The Risk Management Department assesses and monitors foreign exchange risk using the VaR method under the internal rules for market risk management and periodically reports the results to the Risk Management Committee. The Company applies hedge accounting by using foreign exchange forward contracts to hedge foreign exchange risk associated with certain foreign currency denominated bonds in order to mitigate the risk.

(iii) Management of interest rate risk

The Company performs asset management through ALM in order to mitigate interest rate risk. The Risk Management Department assesses and monitors interest rate risk using the VaR method under the internal rules for market risk management and periodically reports the results to the Risk Management Committee.

(iv) Derivative transactions

The Company establishes the rule that the Company limits the use of derivatives to hedging transactions and does not use derivatives for speculation purposes. The Company establishes credit limits for counterparties. The Company selects counterparties with high credit quality, taking into account internal credit rating and other information. The Risk Management Department assesses and monitors price fluctuation risk associated with derivative transactions, and periodically reports the results to the Risk Management Committee.

2) Management of credit risk

The Company assigns an internal credit rating to each counterparty or individual transaction and assesses and monitors credit risk using the VaR method under the internal rules for credit risk management. The Company establishes a credit limit for each corporate group or industry in order to avoid concentration of risk into a particular corporate group or industry.

The Risk Management Department assesses and monitors credit risk. The Investment Risk Monitoring Department monitors each counterparty or individual transaction based on internal credit rating and credit limit. The results of those risk management activities are periodically reported to the Risk Management Committee.

(4) Further notes on fair values of financial instruments

The Company determines fair values based on quoted market price and uses valuation techniques to calculate reasonable value when quoted market price is not available. Fair values may vary depending on inputs used for valuation technique employed.

The contract amount disclosed in the note "(Derivative Transactions)" does not represent market risk of derivative transactions.

2. Fair values of financial instruments

The carrying amounts in the consolidated balance sheet, fair values, and the differences between the two are as follows.

The following tables do not include financial instruments whose fair value is extremely difficult to measure (see Note 2).

(As of March 31, 2013)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	726,649	726,649	–
Available-for-sale securities (negotiable certificates of deposit)	366,100	366,100	–
(2) Receivables under securities borrowing transactions	2,331,286	2,331,286	–
(3) Monetary claims bought	427,417	427,417	–
Available-for-sale securities	427,417	427,417	–
(4) Money held in trust (*1)	256,832	256,832	–
(5) Securities	72,417,197	77,479,501	5,062,304
Held-to-maturity bonds	43,282,092	46,925,271	3,643,179
Policy-reserve-matching bonds	23,508,816	24,927,941	1,419,124
Available-for-sale securities	5,626,288	5,626,288	–
(6) Loans (*2)	12,691,471	13,753,202	1,061,730
Policy loans	35,924	35,924	–
Industrial and commercial loans	676,709	718,395	41,686
Loans to the Management Organization	11,978,837	12,998,882	1,020,044
Total assets	88,850,855	94,974,890	6,124,034
Payables under securities lending transactions (*3)	3,114,558	3,114,558	–
Total liabilities	3,114,558	3,114,558	–
Derivative assets and liabilities (*4)	(5,179)	(5,179)	–
Hedge accounting not applied	–	–	–
Hedge accounting applied	(5,179)	(5,179)	–
Total derivative assets and liabilities	(5,179)	(5,179)	–

(*1) The money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching.
(*2) The amount of allowance for doubtful accounts is deducted from the carrying amount of loan.
(*3) The amount is included in "Other liabilities" in the consolidated balance sheet.
(*4) Derivative assets and liabilities are presented on a net basis. Net derivative liabilities are presented in parentheses.

(As of March 31, 2014)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	1,670,837	1,670,837	–
Available-for-sale securities (negotiable certificates of deposit)	704,300	704,300	–
(2) Receivables under securities borrowing transactions	2,822,188	2,822,188	–
(3) Monetary claims bought	107,448	107,448	–
Available-for-sale securities	107,448	107,448	–
(4) Money held in trust (*1)	581,627	581,627	–
(5) Securities	69,237,991	73,506,909	4,268,917
Held-to-maturity bonds	45,257,324	48,427,090	3,169,765
Policy-reserve-matching bonds	17,953,667	19,052,820	1,099,152
Available-for-sale securities	6,026,999	6,026,999	–
(6) Loans (*2)	11,020,493	11,973,916	953,422
Policy loans	54,271	54,271	–
Industrial and commercial loans	763,206	804,957	41,750
Loans to the Management Organization	10,203,015	11,114,687	911,671
Total assets	85,440,588	90,662,928	5,222,340
Payables under securities lending transactions (*3)	3,703,176	3,703,176	–
Total liabilities	3,703,176	3,703,176	–
Derivative assets and liabilities (*4)	(15,638)	(15,638)	–
Hedge accounting not applied	–	–	–
Hedge accounting applied	(15,638)	(15,638)	–
Total derivative assets and liabilities	(15,638)	(15,638)	–

(*1) The money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching.
(*2) The amount of allowance for doubtful accounts is deducted from the carrying amount of loan.
(*3) The amount is included in "Other liabilities" in the consolidated balance sheet.
(*4) Derivative assets and liabilities are presented on a net basis. Net derivative liabilities are presented in parentheses.

(Note 1) Fair value measurement methods of financial instruments

• Assets

(1) Cash and deposits

The carrying amount of deposits (including negotiable certificates of deposit) approximates fair value because of their short maturity (less than one year). The carrying amount is deemed as the fair value.

(2) Receivables under securities borrowing transactions

The carrying amount of receivables under securities borrowing transactions approximates fair value because of the short term until settlement (less than one year). The carrying amount is deemed as the fair value.

(3) Monetary claims bought

The fair value of monetary claims bought accounted for as securities as defined in the Accounting Standard for Financial Instruments (ASBJ Statement No. 10) is measured using the same method as described in "(5) Securities."

(4) Money held in trust

The fair value of stocks is based on quoted market price, and the fair value of mutual funds is based on net asset value.

Note for money held in trust by classification is included in "(Money Held in Trust)."

(5) Securities

The value of bonds is primarily based on prices published by industry associations (e.g., Reference Statistical Prices published by the Japan Securities Dealers Association) or prices quoted by financial institutions.

Note for securities by classification is included in "(Securities)."

(6) Loans

The carrying amount of policy loans (including those for Postal Life Insurance contracts included in the loans to the Management Organization) approximates fair value because of their characteristics (e.g., credit limit is established within the balance of cash surrender value), short-maturity and interest rate conditions. The carrying amount is deemed as the fair value.

The carrying amount of variable rate loans included in industrial and commercial loans approximates the fair value because the future cash flows reflect market interest rate immediately. The carrying amount is deemed as the fair value.

The fair value of fixed-rate loans included in industrial and commercial loans and loans to the Management Organization (excluding policy loans) is based on the price calculated by discounting future cash flows to the present value.

• Liabilities

Payables under securities lending transactions

The carrying amount of payables under securities lending transactions approximates fair value because of the short term until settlement (less than one year). The carrying amount is deemed as the fair value.

• Derivative transactions

See "(Derivative transactions)."

The fair value of interest rate swaps is included as an integral part of loans, which are designated as hedged items in accordance with the special accounting treatment for interest rate swaps.

(Note 2) Financial instruments whose fair value is extremely difficult to measure are as follows:

(Millions of yen)

As of March 31	2013	2014
Unlisted stock	140,000	140,000

(Note 3) Scheduled redemption of monetary receivables and securities with maturities
(As of March 31, 2013)

(Millions of yen)

	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and deposits with maturities	366,100	–	–	–	–	–
Receivables under securities borrowing transactions	2,331,286	–	–	–	–	–
Monetary claims bought	407,000	–	–	–	–	19,100
Securities	6,746,399	11,793,345	14,184,001	6,278,982	7,094,943	25,570,928
Held-to-maturity bonds	1,568,567	6,495,860	6,229,055	3,920,100	4,239,688	20,446,710
Government and corporate bonds	1,568,567	6,495,860	6,229,055	3,920,100	4,141,688	20,446,710
Government bonds	1,525,400	6,163,900	3,811,800	1,807,400	517,500	19,500,300
Local government bonds	42,867	128,282	1,456,005	1,750,462	2,706,340	683,960
Corporate bonds	300	203,678	961,250	362,238	917,848	262,450
Foreign securities	–	–	–	–	98,000	–
Policy-reserve-matching bonds	3,928,886	4,140,814	6,719,247	1,740,472	2,199,166	4,626,000
Government and corporate bonds	3,928,886	4,140,814	6,719,247	1,740,472	2,199,166	4,626,000
Government bonds	3,212,200	3,612,160	6,692,800	1,649,800	2,036,900	4,535,200
Local government bonds	487,104	452,928	26,447	72,266	111,155	65,000
Corporate bonds	229,582	75,726	–	18,406	51,111	25,800
Available-for-sale securities with maturities	1,248,945	1,156,670	1,235,698	618,409	656,088	498,218
Government and corporate bonds	1,248,945	1,142,563	1,099,859	562,500	315,200	449,014
Government bonds	843,600	7,400	23,700	–	–	–
Local government bonds	95,564	325,393	270,833	–	–	–
Corporate bonds	309,781	809,770	805,326	562,500	315,200	449,014
Foreign securities	–	14,107	135,838	55,909	340,888	49,203
Loans	2,593,623	1,991,824	1,818,819	1,569,672	1,977,343	2,739,629
Total assets	12,444,410	13,785,170	16,002,820	7,848,655	9,072,286	28,329,658

(As of March 31, 2014)

(Millions of yen)

	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and deposits with maturities	704,300	–	–	–	–	–
Receivables under securities borrowing transactions	2,822,188	–	–	–	–	–
Monetary claims bought	81,000	–	–	–	–	25,278
Securities	5,158,868	13,016,431	10,964,422	4,600,991	7,342,106	27,378,558
Held-to-maturity bonds	3,614,348	6,028,517	6,155,676	2,353,733	3,782,059	22,847,540
Government and corporate bonds	3,614,348	6,028,517	6,155,676	2,255,733	3,782,059	22,847,540
Government bonds	3,558,100	4,581,900	3,532,400	197,000	659,500	21,574,200
Local government bonds	54,848	741,127	1,833,818	1,827,595	2,310,376	873,590
Corporate bonds	1,400	705,490	789,458	231,138	812,183	399,750
Foreign securities	–	–	–	98,000	–	–
Policy-reserve-matching bonds	1,014,401	4,830,421	3,605,125	1,583,792	2,732,196	4,056,700
Government and corporate bonds	1,014,401	4,830,421	3,605,125	1,583,792	2,732,196	4,056,700
Government bonds	775,100	4,640,560	3,535,900	1,492,300	2,484,100	3,962,400
Local government bonds	163,575	189,861	50,394	73,312	205,885	66,500
Corporate bonds	75,726	–	18,831	18,180	42,211	27,800
Available-for-sale securities with maturities	530,119	2,157,491	1,203,621	663,465	827,850	474,318
Government and corporate bonds	530,119	2,142,053	1,028,458	577,101	181,220	442,450
Government bonds	3,700	907,400	20,000	–	–	–
Local government bonds	149,842	353,093	257,888	1,000	–	–
Corporate bonds	376,577	881,560	750,570	576,101	181,220	442,450
Foreign securities	–	15,438	175,162	86,364	646,630	31,867
Loans	1,815,014	1,929,903	1,703,875	1,476,998	1,832,300	2,262,035
Total assets	10,581,372	14,946,334	12,668,298	6,077,989	9,174,407	29,665,872

(Note 4) Scheduled repayment amounts of payables under securities lending transactions

(As of March 31, 2013)

(Millions of yen)

	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Payables under securities lending transactions	3,114,558	–	–	–	–	–
Total liabilities	3,114,558	–	–	–	–	–

(As of March 31, 2014)

(Millions of yen)

	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Payables under securities lending transactions	3,703,176	–	–	–	–	–
Total liabilities	3,703,176	–	–	–	–	–

Securities

1. Held-to-maturity bonds

(As of March 31, 2013)

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Bonds with fair value exceeding carrying amount	Government and corporate bonds	43,175,692	46,814,680	3,638,987
	Government bonds	33,705,976	36,741,696	3,035,720
	Local government bonds	6,767,815	7,204,727	436,911
	Corporate bonds	2,701,900	2,868,256	166,355
	Foreign securities	98,000	102,194	4,194
	Foreign government and corporate bonds	98,000	102,194	4,194
	Others	–	–	–
	Subtotal	43,273,692	46,916,874	3,643,182
Bonds with fair value not exceeding carrying amount	Government and corporate bonds	8,400	8,396	(3)
	Government bonds	–	–	–
	Local government bonds	7,300	7,299	(0)
	Corporate bonds	1,100	1,097	(2)
	Foreign securities	–	–	–
	Foreign government and corporate bonds	–	–	–
	Others	–	–	–
	Subtotal	8,400	8,396	(3)
Total		43,282,092	46,925,271	3,643,179

(As of March 31, 2014)

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Bonds with fair value exceeding carrying amount	Government and corporate bonds	44,425,542	47,595,869	3,170,326
	Government bonds	34,001,961	36,656,535	2,654,574
	Local government bonds	7,524,060	7,901,536	377,476
	Corporate bonds	2,899,521	3,037,797	138,276
	Foreign securities	98,000	101,781	3,781
	Foreign government and corporate bonds	98,000	101,781	3,781
	Others	–	–	–
	Subtotal	44,523,542	47,697,650	3,174,107
Bonds with fair value not exceeding carrying amount	Government and corporate bonds	733,781	729,439	(4,342)
	Government bonds	571,260	568,033	(3,226)
	Local government bonds	125,077	124,177	(899)
	Corporate bonds	37,444	37,228	(216)
	Foreign securities	–	–	–
	Foreign government and corporate bonds	–	–	–
	Others	–	–	–
	Subtotal	733,781	729,439	(4,342)
Total		45,257,324	48,427,090	3,169,765

2. Policy-reserve-matching bonds

(As of March 31, 2013)

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Bonds with fair value exceeding carrying amount	Government and corporate bonds	23,508,816	24,927,941	1,419,124
	Government bonds	21,889,807	23,269,193	1,379,385
	Local government bonds	1,217,564	1,249,443	31,878
	Corporate bonds	401,444	409,304	7,860
	Foreign securities	–	–	–
	Others	–	–	–
	Subtotal	23,508,816	24,927,941	1,419,124
Bonds with fair value not exceeding carrying amount	Government and corporate bonds	–	–	–
	Government bonds	–	–	–
	Local government bonds	–	–	–
	Corporate bonds	–	–	–
	Foreign securities	–	–	–
	Others	–	–	–
	Subtotal	–	–	–
Total		23,508,816	24,927,941	1,419,124

(As of March 31, 2014)

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Bonds with fair value exceeding carrying amount	Government and corporate bonds	17,610,495	18,710,949	1,100,453
	Government bonds	16,783,518	17,861,458	1,077,940
	Local government bonds	652,123	670,555	18,431
	Corporate bonds	174,853	178,935	4,081
	Foreign securities	–	–	–
	Others	–	–	–
	Subtotal	17,610,495	18,710,949	1,100,453
Bonds with fair value not exceeding carrying amount	Government and corporate bonds	343,171	341,870	(1,300)
	Government bonds	233,293	232,257	(1,036)
	Local government bonds	100,614	100,372	(241)
	Corporate bonds	9,263	9,240	(23)
	Foreign securities	–	–	–
	Others	–	–	–
	Subtotal	343,171	341,870	(1,300)
Total		17,953,667	19,052,820	1,099,152

3. Available-for-sale securities

(As of March 31, 2013)

(Millions of yen)

	Type	Cost	Carrying amount	Difference
Securities with fair value exceeding cost	Stocks	–	–	–
	Government and corporate bonds	4,632,899	4,749,884	116,985
	Government bonds	874,810	876,825	2,015
	Local government bonds	672,223	675,504	3,280
	Corporate bonds	3,085,865	3,197,554	111,688
	Foreign securities	545,952	618,003	72,051
	Foreign government and corporate bonds	545,952	618,003	72,051
	Others	19,100	20,421	1,321
	Subtotal	5,197,951	5,388,309	190,358
Securities with fair value not exceeding cost	Stocks	–	–	–
	Government and corporate bonds	220,562	212,154	(8,408)
	Government bonds	–	–	–
	Local government bonds	30,335	30,312	(22)
	Corporate bonds	190,226	181,841	(8,385)
	Foreign securities	46,592	46,246	(346)
	Foreign government and corporate bonds	46,592	46,246	(346)
	Others	773,096	773,096	–
	Subtotal	1,040,251	1,031,496	(8,754)
Total		6,238,202	6,419,806	181,603

Note: "Others" includes financial instruments accounted for as securities in accordance with the Accounting Standards for Financial Instruments (ASBJ Statement No. 10).

(As of March 31, 2014)

(Millions of yen)

	Type	Cost	Carrying amount	Difference
Securities with fair value exceeding cost	Stocks	–	–	–
	Government and corporate bonds	4,554,372	4,654,469	100,097
	Government bonds	797,272	798,847	1,575
	Local government bonds	707,593	709,938	2,345
	Corporate bonds	3,049,507	3,145,683	96,176
	Foreign securities	775,889	866,505	90,616
	Foreign government and corporate bonds	775,889	866,505	90,616
	Others	21,578	22,759	1,181
	Subtotal	5,351,840	5,543,735	191,894
Securities with fair value not exceeding cost	Stocks	–	–	–
	Government and corporate bonds	373,353	371,066	(2,287)
	Government bonds	134,050	134,033	(17)
	Local government bonds	62,013	61,966	(47)
	Corporate bonds	177,289	175,066	(2,223)
	Foreign securities	141,610	134,958	(6,652)
	Foreign government and corporate bonds	141,610	134,958	(6,652)
	Others	789,000	788,988	(11)
	Subtotal	1,303,964	1,295,013	(8,951)
Total		6,655,804	6,838,748	182,943

Note: "Others" includes financial instruments accounted for as securities in accordance with the Accounting Standards for Financial Instruments (ASBJ Statement No. 10).

4. Policy-reserve-matching bonds sold

(For the year ended March 31, 2013)

(Millions of yen)

Type	Sales proceeds	Gains on sales	Losses on sales
Government and corporate bonds	2,060,482	60,319	–
Government bonds	1,670,332	50,287	–
Local government bonds	261,591	6,809	–
Corporate bonds	128,559	3,223	–
Total	2,060,482	60,319	–

(For the year ended March 31, 2014)

(Millions of yen)

Type	Sales proceeds	Gains on sales	Losses on sales
Government and corporate bonds	2,071,972	70,967	–
Government bonds	1,962,621	68,754	–
Local government bonds	109,350	2,212	–
Total	2,071,972	70,967	–

5. Available-for-sale securities sold

(For the year ended March 31, 2013)

(Millions of yen)

Type	Sales proceeds	Gains on sales	Losses on sales
Government and corporate bonds	46,568	25	19,665
Corporate bonds	46,568	25	19,665
Total	46,568	25	19,665

(For the year ended March 31, 2014)

(Millions of yen)

Type	Sales proceeds	Gains on sales	Losses on sales
Government and corporate bonds	9,772	0	2,948
Corporate bonds	9,772	0	2,948
Foreign securities	91,125	106	7,256
Total	100,897	107	10,205

Money held in trust

Money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching
(As of March 31, 2013)

(Millions of yen)

	Cost	Carrying amount	Difference	Amount of the excess of carrying amount over cost	Amount of the excess of cost over carrying amount
Specified money held in trust	199,581	242,899	43,317	48,265	4,947
Designated money held in trust	13,933	13,933	–	–	–
Total	213,515	256,832	43,317	48,265	4,947

Note: Impairment losses of ¥3,893 million were recognized.
Impairment loss is recognized for stocks managed as assets of money in trust if the average quoted price for the last month immediately prior to the year-end declines by 30% or more.

(As of March 31, 2014)

(Millions of yen)

	Cost	Carrying amount	Difference	Amount of the excess of carrying amount over cost	Amount of the excess of cost over carrying amount
Specified money held in trust	499,042	581,627	82,585	86,112	3,527
Designated money held in trust	–	–	–	–	–
Total	499,042	581,627	82,585	86,112	3,527

Note: Impairment losses of ¥131 million were recognized.
Impairment loss is recognized for stocks managed as assets of money in trust if the average quoted price for the last month immediately prior to the year-end declines by 30% or more.

Derivative transactions

Derivatives to which hedge accounting is applied
1. Currency-related derivatives
(As of March 31, 2013)

(Millions of yen)

Hedge accounting type	Instrument	Hedged item	Notional amount/ contract value	Contract amount with term of more than 1 year	Fair value
Fair value hedge	Foreign exchange forward contracts	Foreign bonds			
	Sold				
	U.S. Dollars		263,203	–	(5,179)

Note: Fair value measurement method:
Measurement is based on the future price quotes as of the end of the year.

(As of March 31, 2014)

(Millions of yen)

Hedge accounting type	Instrument	Hedged item	Notional amount/ contract value	Contract amount with term of more than 1 year	Fair value
Fair value hedge	Foreign exchange forward contracts	Foreign bonds			
	Sold				
	U.S. Dollars		270,312	–	(6,817)
	Euros		133,944	–	(8,837)
Total			404,257	–	(15,655)

Note: Fair value measurement method:
Measurement is based on the future price quotes as of the end of the year.

2. Interest-related derivatives

(As of March 31, 2013)

(Millions of yen)

Hedge accounting type	Instrument	Hedged item	Contract amount	Contract amount with term of more than 1 year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swaps Receipts fixed, payments floating	Loans	92,980	78,380	(*2)

Notes: (1) Fair value measurement method:
Measurement is determined using the discounted present value technique.
(2) The fair value of interest rate swaps is included as an integral part of loans which are designated as hedged items in accordance with the special accounting treatment for interest rate swaps.

(As of March 31, 2014)

(Millions of yen)

Hedge accounting type	Instrument	Hedged item	Contract amount	Contract amount with term of more than 1 year	Fair value
General accounting treatment	Interest rate swaps Receipts fixed, payments floating	Loans	9,950	9,950	16
Special accounting treatment for interest rate swaps	Interest rate swaps Receipts fixed, payments floating	Loans	102,780	85,400	(*2)
Total			–	–	16

Notes: (1) Fair value measurement method:
Measurement is determined using the discounted present value technique.
(2) The fair value of interest rate swaps is included as an integral part of loans which are designated as hedged items in accordance with the special accounting treatment for interest rate swaps.

Retirement benefits

(For the year ended March 31, 2013)

1. Outline of retirement benefit plans

The Company has an unfunded lump-sum payment retirement plan.

2. Breakdown of retirement benefit obligations

(Millions of yen)

① Projected benefit obligations	(54,937)
② Unrecognized actuarial gain or loss	(3,884)
③ Reserve for employees' retirement benefits (①+②)	(58,821)

Note: The simplified method is applied to calculate the retirement benefit obligations of the consolidated subsidiary.

3. Breakdown of retirement benefit expenses

(Millions of yen)

① Service cost	3,249
② Interest cost	914
③ Amortization of unrecognized actuarial gain or loss	(240)
④ Retirement benefit expenses (①+②+③)	3,923

Note: Retirement benefit expenses of the consolidated subsidiary which applies the simplified method are included in "Service cost".

4. Assumptions

(1) Attribution method of projected retirement benefit obligations

Straight-line method

(2) Discount rate

1.7%

(3) Amortization period for actuarial gain or loss

14 years (Amortization commences in the following year using the straight-line method over the years within the average remaining service years of employees)

(For the year ended March 31, 2014)

1. Outline of the retirement benefit plans

The Company and its consolidated subsidiary have an unfunded lump-sum payment retirement plan to cover employees' retirement benefits.

The consolidated subsidiary applies the simplified method to calculate liability for retirement benefits and retirement benefit expenses.

2. Defined benefit plans

(1) Roll forward of retirement benefit obligations

(Millions of yen)

Balance at the beginning of the year	54,937
Service cost	3,289
Interest cost	932
Actuarial gain or loss incurred	251
Retirement benefits paid	(3,146)
Others	363
Balance at the end of the year	56,627

(2) Reconciliation between retirement benefit obligations and liability for retirement benefits in the consolidated balance sheet

(Millions of yen)

Retirement benefit obligations of unfunded benefit plans	56,627
Liability for retirement benefits in the consolidated balance sheet	56,627

(3) Breakdown of retirement benefit expenses

(Millions of yen)

Service cost	3,289
Interest cost	932
Amortization of unrecognized actuarial gain or loss	(315)
Others	32
Retirement benefit expenses for defined benefit plans	3,938

(4) Defined retirement benefit plan

Defined retirement benefit plan before income tax effect as of March 31, 2014, is as follows:

(Millions of yen)

Unrecognized actuarial gain or loss	3,317

(5) Assumptions

Significant actuarial assumption for the calculation of retirement benefit obligations as of March 31, 2014, is as follows:

Discount rate	1.7%

Income taxes

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

As of March 31	2013	2014
Deferred tax assets		
Policy reserves	375,640	485,089
Reserve for price fluctuations	71,826	106,845
Reserve for outstanding claims	53,247	53,823
Reserve for employees' retirement benefits	18,348	–
Liability for retirement benefits	–	17,464
Unrealized losses on available-for-sale securities	4,200	3,815
Others	16,003	14,313
Subtotal	539,267	681,352
Valuation allowance	(3,008)	(2,996)
Total deferred tax assets	536,258	678,356
Deferred tax liabilities		
Unrealized gains on available-for-sale securities	(73,343)	(84,569)
Others	(700)	(1,254)
Total deferred tax liabilities	(74,044)	(85,823)
Net deferred tax assets	462,214	592,532

2. Reconciliation between the statutory tax rate and effective tax rate

As of March 31	2013	2014
Statutory tax rate	33.33%	33.33%
Effect of change in tax rate for current and subsequent years	7.17%	14.42%
Others	0.82%	0.16%
Effective income tax rate	41.32%	47.91%

3. Adjustment of deferred tax assets and liabilities due to the change of the statutory tax rate

Following the issuance of the Act for Partial Revision of Income Tax Act on March 31, 2014, the Special Corporate Tax for Reconstruction will be abolished for the consolidated fiscal years beginning on or after April 1, 2014. Accordingly, the statutory tax rate applicable to the temporary differences which are expected to be reversed in the fiscal year beginning April 1, 2014, decreased from 33.33% in the previous year to 30.78%. As a result of the change, deferred tax assets (net of deferred tax liabilities) decreased by ¥5,223 million yen, and income taxes deferred increased by ¥5,257 million yen for the year ended March 31, 2014.

Segment information

• Segment information

For the years ended March 31, 2013 and 2014

The overview of the reporting segment is omitted because the Company on a consolidated basis did not operate any businesses categorized as segments other than its own core life insurance business in Japan.

• Other related information

For the years ended March 31, 2013 and 2014

1. Information about products and services

Segment information about products and services is omitted because the Companies' operations consist of only one category of products and services.

2. Information about geographical areas

Information about geographical areas is omitted because more than 90% of the Companies' ordinary income and tangible fixed assets derive from its business in Japan.

3. Information about major customers
Information about major customers is omitted because no single customer accounts for 10% or more of the Company's ordinary income.

• Impairment losses of fixed assets by reportable segments
For the years ended March 31, 2013 and 2014
None

• Amortization and remaining balance of goodwill by reportable segments
For the years ended March 31, 2013 and 2014
None

• Gains on negative goodwill by reportable segments
For the years ended March 31, 2013 and 2014
None

Related-party transactions

1. Related-party transactions
Transactions between the Company and related parties
(1) Parent company, major corporate shareholders, and others
(For the year ended March 31, 2013)

Type	Name of company	Location	Capital stock	Business	Percentage of owning (owned) voting rights	Nature of relationship with related party	Transaction	Transaction amount	Line of item	Balance at the end of the year
Parent company	Japan Post Holdings Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million	Holding Company	Owned Direct 100%	Business management Common directors	Payment of business management fee (Note1)	¥2,697 million	Accounts payable	¥248 million

Conditions of transactions and policies to decide the conditions
Notes: (1) A decision is made on the basis of total cost incurred in relation to the business management of the parent company.
(2) Consumption taxes are not included in the transaction amount, but included in the ending balance.

(For the year ended March 31, 2014)

Type	Name of company	Location	Capital stock	Business	Percentage of owning (owned) voting rights	Nature of relationship with related party	Transaction	Transaction amount	Line of item	Balance at the end of the year
Parent company	Japan Post Holdings Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million	Holding Company	Owned Direct 100%	Business management Common directors	Payment of business management fee (Note1)	¥2,773 million	Accounts payable	¥242 million

Conditions of transactions and policies to decide the conditions
Notes: (1) A decision is made on the basis of total cost incurred in relation to the business management of the parent company.
(2) Consumption taxes are not included in the transaction amount, but included in the ending balance.

(2) Affiliates and others
None

(3) Subsidiaries of the parent company and others
(For the year ended March 31, 2013)

Type	Name of company	Location	Capital stock	Business	Percentage of owning (owned) voting rights	Nature of relationship with related party	Transaction	Transaction amount	Line of item	Balance at the end of the year
Subsidiary of parent company	Japan Post Co., Ltd.	Chiyoda-ku, Tokyo	¥100,000 million	Postal service Postal agency	None	Insurance agency Common director	Payment of commission for insurance agency (Note1)	¥377,378 million	Agency accounts payable	¥36,390 million

Conditions of transactions and policies to decide the conditions
Notes: (1) A decision is made on the basis of total cost incurred in relation to the service with insurance agency.
(2) Consumption taxes are not included in the transaction amount, but included in the ending balance.

(For the year ended March 31, 2014)

Type	Name of company	Location	Capital stock	Business	Percentage of owning (owned) voting rights	Nature of relationship with related party	Transaction	Transaction amount	Line of item	Balance at the end of the year
Subsidiary of parent company	Japan Post Co., Ltd.	Chiyoda-ku, Tokyo	¥100,000 million	Postal service Postal agency	None	Insurance agency Common director	Payment of commission for insurance agency (Note1)	¥366,248 million	Agency accounts payable	¥35,557 million

Conditions of transactions and policies to decide the conditions

Notes: (1) A decision is made on the basis of total cost incurred in relation to the service with insurance agency.

(2) Consumption taxes are not included in the transaction amount, but included in the ending balance.

(4) Directors, major individual shareholders and others

None

2. The parent company and other significant affiliates

(1) Information about the parent company

Japan Post Holdings Co., Ltd. (Unlisted)

(2) Condensed financial information about significant affiliates

None

Per share information

(Yen)

As of / Years ended March 31	2013	2014
Net assets per share	73,339.05	76,906.85
Net income per share	4,533.93	3,140.11

Notes: 1. Calculation of “Net assets per share” is based on the following figures:

As of March 31	2013	2014
Total net assets (Millions of yen)	1,466,780	1,538,136
Deductions from total net assets (Millions of yen)	–	–
Net assets attributable to common stocks (Millions of yen)	1,466,780	1,538,136
Number of common stocks used for the calculation of net assets per share (Thousands of shares)	20,000	20,000

2. Calculation of “Net income per share” is based on the following figures:

Years ended March 31	2013	2014
Net income (Millions of yen)	90,678	62,802
Net income not attributable to common shareholders (Millions of yen)	–	–
Net income attributable to common shareholders (Millions of yen)	90,678	62,802
Average number of common stocks (Thousands of shares)	20,000	20,000

3. Diluted net income per share is not presented because no potential shares exist.

Subsequent events

None

Consolidated Supplemental Schedules

Schedule of corporate bonds

None

Schedule of borrowings

(Millions of yen, %)

Type	Balance at the beginning of the year	Balance at the end of the year	Average interest rate	Maturity
Short-term borrowings	–	–	–	–
Long-term borrowings to be repaid within 1 year	–	–	–	–
Lease obligations to be repaid within 1 year	382	403	–	–
Long-term borrowings other than those to be repaid within 1 year	–	–	–	–
Lease obligations other than those to be repaid within 1 year	1,101	1,193	–	April, 2015 to February, 2021
Other interest-bearing borrowings Payables under securities lending transactions to be repaid within 1 year	3,114,558	3,703,176	0.11	–
Total	3,116,043	3,704,773	–	–

Notes: (1) “Lease obligations” and “Payables under securities lending transactions” are included in “Other liabilities” in the consolidated balance sheet.
(2) Average interest rate for lease obligations is omitted as lease obligations are calculated using the interest-payable-including-method.
(3) The repayment schedule for lease obligations other than those to be repaid within 1 year during the 5 years following March 31, 2014, is as follows:

(Millions of yen)

	1-2 years	2-3 years	3-4 years	4-5 years
Lease obligations	349	280	243	169

(4) The average interest rate for payables under securities lending transactions is calculated based on the weighted-average interest rate as of the end of the year.

Schedule of asset retirement obligations

Information is omitted because the amount of asset retirement obligations as of the beginning and ending of the year is less than 1% of total liabilities and net assets.

Others

(Quarterly results for the year ended March 31, 2014)

(Cumulative period)	First quarter	Second quarter	Third quarter	For the year
Ordinary income (Millions of yen)	2,764,279	5,594,168	8,401,625	11,234,114
Quarterly income before income taxes and minority interests (Millions of yen)	22,858	37,723	74,625	120,571
Quarterly net income (Millions of yen)	12,356	19,247	40,916	62,802
Quarterly net income per share (Yen)	617.84	962.39	2,045.82	3,140.11

Note: Ordinary income is presented instead of sales of companies in general industries.

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly net income per share (Yen)	617.84	344.55	1,083.43	1,094.30

7. Japan Post Insurance Co., Ltd. —Non-consolidated Financial Data

The balance sheets as of March 31, 2014 and 2013 and the statements of income and changes in net assets for the years then ended ("non-consolidated financial statements") were audited by KPMG AZSA LLC in accordance with Article 396, Paragraph 1 of the Companies Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

Balance Sheets

(Millions of yen)

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Assets		
Cash and deposits	724,181	1,663,576
Cash	5,196	4,258
Deposits	718,984	1,659,318
Call loans	203,452	230,025
Receivables under securities borrowing transactions	2,331,286	2,822,188
Monetary claims bought	427,417	107,448
Money held in trust	256,832	581,627
Securities	72,558,181	69,378,975
Government bonds	56,472,609	52,522,914
Local government bonds	8,698,497	9,173,780
Corporate bonds	6,483,840	6,441,832
Stocks	984	984
Foreign securities	902,249	1,239,464
Loans	12,691,554	11,020,585
Policy loans	35,924	54,271
Industrial and commercial loans	676,792	763,298
Loans to the Management Organization	11,978,837	10,203,015
Tangible fixed assets	85,968	89,322
Land	40,726	40,726
Buildings	33,262	33,287
Lease assets	1,335	1,456
Construction in progress	15	1,648
Other tangible fixed assets	10,628	12,204
Intangible fixed assets	106,933	126,040
Software	106,909	126,022
Other intangible fixed assets	24	18
Agency accounts receivable	133,911	102,651
Reinsurance receivables	–	234
Other assets	482,227	374,320
Accounts receivable	147,478	172,115
Prepaid expenses	516	814
Accrued income	327,778	195,169
Money on deposit	1,700	2,158
Derivatives	1,237	166
Suspense payments	628	787
Other assets	2,886	3,108
Deferred tax assets	461,513	592,665
Allowance for doubtful accounts	(1,095)	(1,036)
Total assets	**90,462,364**	**87,088,626**

Item	2013 (As of March 31, 2013)	2014 (As of March 31, 2014)
Liabilities		
Policy reserves and other reserves	84,746,052	80,799,941
Reserve for outstanding claims	947,123	831,690
Policy reserves	81,401,981	77,745,490
Reserve for policyholders' dividends	2,396,947	2,222,759
Reinsurance payables	191	1,234
Other liabilities	3,662,976	4,077,493
Payables under securities lending transactions	3,114,558	3,703,176
Income taxes payable	12,840	15,804
Accounts payable	395,091	229,922
Accrued expenses	14,898	15,626
Unearned revenue	5	4
Deposits received	12,700	12,172
Deposits received from the Management Organization	78,877	66,221
Derivatives	6,417	15,805
Lease obligations	1,401	1,528
Asset retirement obligations	15	15
Suspense receipt	25,798	16,433
Other liabilities	371	781
Reserve for possible claim payments	7,003	1,881
Reserve for employees' retirement benefits	58,331	59,385
Reserve for directors' retirement benefits	164	–
Reserve under the special law	522,872	614,233
Reserve for price fluctuations	522,872	614,233
Total liabilities	**88,997,593**	**85,554,169**
Net assets		
Capital stock	500,000	500,000
Capital surplus	500,044	500,044
Legal capital surplus	405,044	405,044
Other capital surplus	95,000	95,000
Retained earnings	308,948	349,627
Legal retained earnings	12,672	17,222
Other retained earnings	296,276	332,404
Retained earnings brought forward	296,276	332,404
Total shareholders' equity	1,308,993	1,349,671
Net unrealized gains on available-for-sale securities	155,778	184,774
Deferred gains (losses) on derivatives under hedge accounting	–	11
Total of valuation and translation adjustments	155,778	184,785
Total net assets	**1,464,771**	**1,534,457**
Total liabilities and net assets	**90,462,364**	**87,088,626**

Statements of Income

(Millions of yen)

Item	2013 (From April 1, 2012 to March 31, 2013)	2014 (From April 1, 2013 to March 31, 2014)
Ordinary income	**11,834,920**	**11,233,925**
Insurance premiums and the other	**6,481,772**	**5,911,643**
Insurance premiums	6,481,772	5,911,269
Reinsurance income	–	374
Investment income	**1,560,789**	**1,540,615**
Interest, dividends and other income	1,500,194	1,458,190
Interest on deposits	419	465
Interest and dividends on securities	1,188,796	1,180,339
Interest on loans	10,949	12,478
Interest on loans to the Management Organization	295,861	260,797
Other interest and dividends	4,167	4,109
Gains from money held in trust	–	9,736
Gains on sales of securities	60,344	71,074
Gains on redemption of securities	62	54
Foreign exchange gains	–	1,452
Other investment income	188	107
Other ordinary income	**3,792,358**	**3,781,665**
Reversal of reserve for outstanding claims	48,611	115,432
Reversal of policy reserves	3,741,858	3,656,490
Reversal of reserve for possible claim payments	–	5,122
Reversal of reserve for directors' retirement benefits	–	164
Other ordinary income	1,888	4,455
Ordinary expenses	**11,305,545**	**10,770,418**
Insurance claims and others	**10,673,000**	**10,160,877**
Insurance claims	10,189,390	9,511,326
Annuity payments	197,107	256,746
Benefits	26,231	33,941
Surrender benefits	154,965	220,263
Other refunds	105,305	135,968
Reinsurance premiums	–	2,631
Provision for policy reserves and others	**9,008**	**4,627**
Provision for interest portion on reserve for policyholders' dividends	9,008	4,627
Investment expenses	**29,515**	**18,122**
Interest expenses	3,753	4,963
Losses on money held in trust	4,108	–
Losses on sales of securities	19,665	10,205
Losses on redemption of securities	78	62
Losses on derivative financial instruments	318	2,161
Foreign exchange losses	672	–
Provision for allowance for doubtful accounts	18	8
Other investment expenses	900	721
Operating expenses	**512,908**	**513,046**
Other ordinary expenses	**81,111**	**73,744**
Taxes	38,068	38,193
Depreciation	34,422	34,217
Provision for reserve for possible claim payments	7,003	–
Provision for reserve for employees' retirement benefits	1,395	608
Provision for reserve for directors' retirement benefits	1	–
Other ordinary expenses	219	725
Ordinary profit	**529,375**	**463,506**
Extraordinary gains	**127**	**–**
Other extraordinary gains	127	–
Extraordinary losses	**67,107**	**99,999**
Losses on disposal of fixed assets	1,958	8,638
Provision for reserve under the special law	64,656	91,360
Provision for reserve for price fluctuations	64,656	91,360
Group reorganization expenses	491	–
Provision for reserve for policyholders' dividends	**307,427**	**242,146**
Income before income taxes	**154,969**	**121,361**
Income taxes – current	**199,231**	**200,701**
Income taxes – deferred	**(135,262)**	**(142,768)**
Total income taxes	**63,968**	**57,932**
Net income	**91,000**	**63,428**

Statements of Changes in Net Assets

For the year ended March 31, 2013 (Millions of yen)

Item	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	
Balance at the beginning of the year	500,000	405,044	95,000	9,285	225,596	1,234,926
Changes during the year						
Dividends				3,386	(20,320)	(16,933)
Net income					91,000	91,000
Net changes other than shareholders' equity						
Total changes during the year	–	–	–	3,386	70,680	74,066
Balance at the end of the year	500,000	405,044	95,000	12,672	296,276	1,308,993

Item	Valuation and translation adjustments	
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting
Balance at the beginning of the year	57,151	–
Changes during the year		
Dividends		
Net income		
Net changes other than shareholders' equity	98,627	
Total changes during the year	98,627	–
Balance at the end of the year	155,778	–

For the year ended March 31, 2014

(Millions of yen)

Item	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		Total shareholders' equity
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings	
					Retained earnings brought forward	
Balance at the beginning of the year	500,000	405,044	95,000	12,672	296,276	1,308,993
Changes during the year						
Dividends				4,550	(27,300)	(22,750)
Net income					63,428	63,428
Net changes other than shareholders' equity						
Total changes during the year	–	–	–	4,550	36,128	40,678
Balance at the end of the year	500,000	405,044	95,000	17,222	332,404	1,349,671

Item	Valuation and translation adjustments	
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting
Balance at the beginning of the year	155,778	–
Changes during the year		
Dividends		
Net income		
Net changes other than shareholders' equity	28,996	11
Total changes during the year	28,996	11
Balance at the end of the year	184,774	11

Notes to Financial Statements

Basis of presentation

(1) The accompanying nonconsolidated financial statements of Japan Post Insurance Co.,Ltd. (the "Company") have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the nonconsolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The nonconsolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(2) Fractional amounts of less than ¥1 million are rounded down, except for per share information. Accordingly, the totals do not necessarily agree with the sum of the individual amounts.

Significant accounting policies

1. Valuation methods for securities

Securities, including cash and deposits, monetary claims bought which are equivalent to securities, and securities managed as assets of money held in trust, are carried as explained below:

(1) Held-to-maturity bonds

Stated at amortized cost (straight-line method), determined by the moving-average method

(2) Policy-reserve-matching bonds (in accordance with Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching bonds in the Insurance Industry" issued by the Japanese Institute of Certified Public Accountants)

Stated at amortized cost (straight-line method), determined by the moving-average method

(3) Stocks of subsidiaries and affiliated companies (stocks issued by subsidiaries as defined in Article 2, Paragraph 12 of the Insurance Business Act and closely related parties (excluding subsidiaries) and affiliated companies as defined in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act))

Stated at cost determined by the moving-average method

(4) Available-for-sale securities

(i) Available-for-sale securities with fair value

Valued at fair value at the end of the fiscal year (for stocks and stock mutual funds, the average quoted price for the last month immediately prior to the end of the fiscal year), with cost determined by the moving-average method.

(ii) Available-for-sale securities whose fair value is extremely difficult to measure

- Government and corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustments

  Valued at the amortized cost (straight-line method), determined by the moving-average method
- Others

  Valued at cost determined by the moving-average method

Net unrealized gains or losses on available-for-sale securities are presented as a separate component of net assets.

2. Valuation methods of derivative transactions

Derivatives are reported at fair value.

3. Depreciation methods for tangible fixed assets

(1) Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets is calculated using the straight-line method.

Estimated useful lives of major assets are as follows:

(i) Buildings, attached improvements and structures

2 to 55 years

(ii) Other tangible fixed assets

2 to 20 years

(2) Intangible fixed assets (excluding lease assets)

Amortization of software for internal use is calculated using the straight-line method over the estimated useful life (generally 5 years).

(3) Lease assets

Depreciation of lease assets with regard to finance leases whose ownership does not transfer to the lessees is computed by the straight-line method assuming zero-salvage value over the lease terms.

4. Allowances and reserves

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is determined based on the internal rules for self-assessment and internal rules for write-offs and provisions. It is calculated based on the historical credit loss experience and estimated uncollectible amounts for specific loans.

For all loans and claims, the relevant department performs an asset quality assessment in accordance with the internal rules for self-assessment, and an independent audit department reviews the results of the assessment. The allowance is provided based on the result of such assessment.

For loans and claims to bankrupt obligors (obligors that have already experienced formal or legal failure, such as bankruptcy and reorganization) and obligors at risk of bankruptcy (obligors that have not yet suffered business failure but are considered highly likely to fail), the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amounts written off during the years ended March 31, 2013 and 2014, were ¥64 million and ¥138 million, respectively.

(2) Reserve for possible claim payments

Reserve for possible claim payments includes an additional estimated amount of possible claims based on past experience due to improvement of notification of claims the Company is currently working on.

(3) Reserve for employees' retirement benefits

Reserve for employees' retirement benefits is provided for payments of retirement benefits to employees and is recorded based on the estimated amount of retirement benefit obligations at the end of this fiscal year based on the estimated amount of benefits.

(i) Attribution method for projected retirement benefit obligations

The retirement benefit obligations are determined using the straight-line attribution method to attribute the projected retirement benefit obligations in each period to the end of this fiscal year.

(ii) Amortization of actuarial gain or loss

Actuarial gain or loss is amortized ratably using the straight-line method over a certain period (14 years), within the average remaining service years of the employees at the date when the actuarial gain or loss was incurred, commencing with the following fiscal year.

5. Calculation method for reserve for price fluctuations

A reserve for price fluctuations is calculated in accordance with the provisions of Article 115 of the Insurance Business Act.

6. Hedge accounting

(1) Hedge accounting

Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments"(ASBJ Statement No. 10). Fair value hedges using foreign currency forward contracts are used to hedge against exchange rate fluctuations of certain foreign currency-denominated bonds. Special hedge accounting for interest rate swaps and the deferral hedge are used for cash flow hedges of certain loans.

(2) Hedging instruments and hedged items

(i) Hedging instruments ... foreign currency forward contracts

Hedged items ... foreign currency-denominated bonds

(ii) Hedging instruments ... interest rate swaps

Hedged items ... loans

(3) Hedging policies

Foreign currency risk of foreign currency-denominated bonds and interest rate risk of loans are hedged within a certain range.

(4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing cumulative fluctuations in market quotations or cash flows of hedged items to those of hedging instruments. However, for foreign currency forward contracts and interest rate swaps under special hedge accounting, which demonstrate a high correlation between hedging instruments and hedged items, the assessment of hedge effectiveness is omitted.

7. Other significant policies
(1) Policy reserves
Policy reserves are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as follows:
(i) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (the Notification of the Minister of Finance No. 48, 1996).
(ii) Reserves for other policies are established based on the net level premium method.
In addition, for 10 years from the fiscal year 2010, additional policy reserves for certain assumed reinsurance from the Management Organization for Postal Savings and Postal Life Insurance (the "Management Organization") have been provided in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act. The amounts of the additional provision for policy reserves for the years ended March 31, 2013 and 2014, were ¥171,491 million and ¥175,129 million, respectively.
(2) Accounting treatment for retirement benefits
Accounting for actuarial gain or loss in relation to retirement benefits is different from that for the consolidated financial statements.
(3) Accounting treatment for consumption taxes
National and local consumption taxes are accounted for using the tax-exclusion method.
(4) Consolidated tax payment system
Consolidated tax payment system has been adopted. Japan Post Holdings Co., Ltd. is the parent company of the consolidated tax payment system.

Notes to Balance Sheet

1. Carrying amount, fair value, and the risk management policy for policy-reserve-matching bonds are as follows:
(1) The carrying amount and the fair value for policy-reserve-matching bonds are as follows:

(Millions of yen)

As of March 31	2013	2014
Carrying amount	23,508,816	17,953,667
Fair value	24,927,941	19,052,820

(2) The risk management policy for policy-reserve-matching bonds is as follows:
The Company categorizes its insurance contracts into the following subgroups by their characteristics in order to manage interest rate risk of assets and liabilities, and matches the duration of the corresponding policy-reserve-matching bonds with the duration of the policy reserves in the respective subgroups within a certain range. The Company also periodically monitors the duration of the policy-reserve-matching bonds and the policy reserves in the subgroups.
1) The Postal Life Insurance contracts category
2) The Japan Post Insurance contracts (general) category
3) The Japan Post Insurance contracts (single premium annuity) category

2. The carrying amount of securities lent under lending agreements is as follows:

(Millions of yen)

As of March 31	2013	2014
Carrying amount	2,815,546	3,380,035

3. Loans do not include any loans to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans.
The respective definitions of the loans are as follows:
Loans to bankrupt borrowers are loans, after write-offs, to bankrupt borrowers as defined in Article 96, Paragraph 1-3-1 to 5 or 96, Paragraph 1-4 of the Order for Enforcement of the Corporation Tax Act (No. 97 in 1965) on which accrued interest income is not recognized ("Non-accrual loans") as there is substantial doubt as to the collection of principal and/or interest because of delinquencies in payment of principal and/or interest for a significant period of time or for other reasons.
Delinquent loans represent non-accrual loans other than loans to bankrupt borrowers and loans renegotiated at concessionary terms, which include reduction or deferral of interest in order to assist or support these borrowers in the restructuring of their business.
Loans past due for three months or more represent loans whose principal and/or interest payments have been past due for three months or more, excluding loans to bankrupt borrowers and delinquent loans.
Restructured loans represent loans renegotiated at concessionary terms, including reduction or deferral of interest or principal and waiver of the claims in order to assist or support these borrowers in the restructuring of their business, excluding loans to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

4. The amount of unused commitments related to loans is as follows:

(Millions of yen)

As of March 31	2013	2014
Unused commitments related to loans	–	1,250

5. Accumulated depreciation of tangible fixed assets is as follows:

(Millions of yen)

As of March 31	2013	2014
Accumulated depreciation	62,596	63,476

6. The total amounts of receivables from and payables to subsidiaries and affiliates are as follows:

(Millions of yen)

As of March 31	2013	2014
Receivables	341	345
Payables	92,456	121,647

7. Changes in the reserve for policyholders' dividends are as follows:

(Millions of yen)

As of March 31	2013	2014
Balance at the beginning of the year	2,511,441	2,396,947
Policyholders' dividends paid during the year	430,448	420,523
Increase due to interest accrued during the year	9,008	4,627
Decrease due to purchasing additional annuity benefits	481	438
Provision for reserve for policyholders' dividends	307,427	242,146
Balance at the end of the year	2,396,947	2,222,759

8. Stocks of subsidiaries and affiliates held are as follows:

(Millions of yen)

As of March 31	2013	2014
Stocks of subsidiaries and affiliates	984	984

9. Assets pledged as collateral are as follows:

(Millions of yen)

As of March 31	2013	2014
Securities	2,815,546	3,380,035

The amount of secured liabilities is as follows:

(Millions of yen)

As of March 31	2013	2014
Payables under securities lending transactions	3,114,558	3,703,176

All of "Securities" above are pledged as collateral for securities lending transactions with cash collateral.

10. The ceded amount of reserve for outstanding claims, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, as applied pursuant to Article 73, Paragraph 3 of the Ordinance for Enforcement of the Insurance Business Act ("Reserve for outstanding claims–ceded") is as follows:

(Millions of yen)

As of March 31	2013	2014
Reserve for outstanding claims-ceded	–	82

The ceded amount of policy reserves, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act ("Policy reserves–ceded") is as follows:

(Millions of yen)

As of March 31	2013	2014
Policy reserves-ceded	–	183

11. The fair value of securities borrowed under securities borrowing agreements held at the end of the year that can be sold or pledged as collateral at the Company's discretion is as follows:

(Millions of yen)

As of March 31	2013	2014
Fair value	2,330,656	2,816,810

12. The estimated amount of future contributions to the Life Insurance Policyholders Protection Corporation of Japan as stipulated in Article 259 of the Insurance Business Act is as follows.

The contributions are accounted for as operating expenses in the year when the contributions are made.

(Millions of yen)

As of March 31	2013	2014
Estimated amount of future contributions	14,672	18,834

13. Policy reserves assumed from the Management Organization (excluding contingency reserve) are provided based on the calculation method prescribed by the Company for its premiums and policy reserves in order to exceed the amount calculated for the policy reserves for the Postal Life Insurance designated under the Act on the Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005). Also, the Company provides contingency reserve and a reserve for price fluctuations for the reinsurance contracts assumed.

Policy reserves mentioned above (excluding contingency reserve), contingency reserve and the reserve for price fluctuations are as follows:

(Millions of yen)

As of March 31	2013	2014
Policy reserves (excluding contingency reserve)	64,325,970	57,879,628
Contingency reserve	2,514,762	2,350,030
Reserve for price fluctuations	480,865	554,723

14. "Deposits from the Management Organization" in the nonconsolidated balance sheet represents the amount equivalent to the reserve for outstanding claims and provision for loss on compensation for damages (related to litigation or conciliation) of the Management Organization. Such deposits were made upon privatization in accordance with the outsourcing agreements with the Management Organization for the administrative operation of the Postal Life Insurance and were not paid by March 31, 2014.

Notes to Statement of Income

1. The total income and expenses from transactions with the parent, subsidiaries, affiliates etc. are as follows:

(Millions of yen)

Years ended March 31	2013	2014
Total income	0	0
Total expenses	11,093	10,448

2. The breakdown of gains on sales of securities is as follows:

(Millions of yen)

Years ended March 31	2013	2014
Government bonds and others	60,344	70,968
Foreign securities	–	106

3. The breakdown of losses on sales of securities is as follows:

(Millions of yen)

Years ended March 31	2013	2014
Government bonds and others	19,665	2,948
Foreign securities	–	7,256

4. Gains or losses from money held in trust for the fiscal years ended March 31, 2013 and 2014, includes losses on valuation of securities amounting to ¥3,893 million and ¥131 million, respectively.

5. The amount of provision for reserve for outstanding claims-ceded that is added to the calculation of reversal of the reserve for outstanding claims is ¥82 million for the year ended March 31, 2014. The amount of provision for policy reserves-ceded that is added to the calculation of reversal of policy reserves is ¥183 million for the year ended March 31, 2014 (those amounts for the year ended March 31, 2013, are nil).

6. Insurance premiums for reinsurance contracts assumed from the Management Organization included in Insurance premiums and the other are as follows:

(Millions of yen)

Years ended March 31	2013	2014
Insurance premiums	2,685,558	2,155,398

7. Insurance claims for reinsurance contracts assumed from the Management Organization included in Insurance claims are as follows:

(Millions of yen)

Years ended March 31	2013	2014
Insurance claims	10,165,661	9,477,426

8. Provision for reserve for policyholders' dividends provided on behalf of the Management Organization, which is calculated based on profit or loss from reinsurance contracts assumed under the reinsurance contracts with the Management Organization, is as follows:

(Millions of yen)

Years ended March 31	2013	2014
Provision for reserve for policyholders' dividends	281,642	222,812

Notes to Statement of Changes in Net Assets

(For the years ended March 31, 2013 and 2014)
Class and number of treasury stock
None

Leases

As lessee
1. Non-ownership transferable finance leases
   (1) Lease assets
   Lease assets include the following tangible fixed assets: vehicles
   (2) Depreciation method
   See Note Significant accounting policies 3. Depreciation methods for tangible fixed assets.

2. Operating leases
   Future lease payments related to non-cancelable operating leases are as follows:

(Millions of yen)

As of March 31	2013	2014
Due within one year	957	448
Due after one year	448	–
Total	1,406	448

Securities

The fair value of stocks of subsidiaries and affiliates is not presented because the fair value of these stocks is extremely difficult to measure. The carrying amount of these stocks is as follows:

(Millions of yen)

As of March 31	2013	2014
Stocks of subsidiaries	984	984

Income taxes

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

As of March 31	2013	2014
Deferred tax assets		
Policy reserves	375,640	485,089
Reserve for price fluctuations	71,826	106,845
Reserve for outstanding claims	53,247	53,823
Reserve for employees' retirement benefits	18,166	18,277
Unrealized losses on available-for-sale securities	4,200	3,815
Others	15,479	13,621
Subtotal	538,561	681,474
Valuation allowance	(3,003)	(2,991)
Total deferred tax assets	535,557	678,482
Deferred tax liabilities		
Unrealized gains on available-for-sale securities	(73,343)	(84,569)
Others	(700)	(1,247)
Total deferred tax liabilities	(74,044)	(85,817)
Net deferred tax assets	461,513	592,665

2. Reconciliation between the statutory tax rate and effective tax rate

As of March 31	2013	2014
Statutory tax rate	33.33%	33.33%
Effect of change in tax rate for current and subsequent years	7.15%	14.32%
Others	0.80%	0.09%
Effective income tax rate	41.28%	47.74%

3. Adjustment of deferred tax assets and liabilities due to the change of the statutory tax rate
Following the issuance of the Act for Partial Revision of Income Tax Act on March 31, 2014, the Special Corporate Tax for Reconstruction will be abolished for the consolidated fiscal years beginning on or after April 1, 2014. Accordingly, the statutory tax rate applicable to the temporary differences which are expected to be reversed in the fiscal year beginning April 1, 2014, decreased from 33.33% in the previous year to 30.78%. As a result of the change, deferred tax assets (net of deferred tax liabilities) decreased by ¥5,216 million yen, and income taxes deferred increased by ¥5,250 million yen for the year ended March 31, 2014.

Per share information

(Yen)

As of / Years ended March 31	2013	2014
Net assets per share	73,238.56	76,722.86
Net income per share	4,550.02	3,171.42

Notes: 1. Calculation of “Net assets per share” is based on the following figures:

As of March 31	2013	2014
Total net assets (Millions of yen)	1,464,771	1,534,457
Deductions from total net assets (Millions of yen)	–	–
Net assets attributable to common stocks (Millions of yen)	1,464,771	1,534,457
Number of common stocks used for the calculation of net assets per share (Thousands of shares)	20,000	20,000

2. Calculation of “Net income per share” is based on the following figures:

Years ended March 31	2013	2014
Net income (Millions of yen)	91,000	63,428
Net income not attributable to common shareholders (Millions of yen)	–	–
Net income attributable to common shareholders (Millions of yen)	91,000	63,428
Average number of common stocks (Thousands of shares)	20,000	20,000

3. Diluted net income per share is not presented because no potential shares exist.

Subsequent events

None